

# Mission & Objectives

## 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 professional, highly-motivated and responsible administration that is readily accessible to all stakeholders and 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-justified infrastructure development across the State to ensure that stakeholders have access to modern tracks and facilities.

Harness Racing NSW  
Suite 102, 8 French Avenue  
Bankstown NSW 2200

PO Box 1034  
Bankstown NSW 1885

Tel: 02 9709 5780  
Fax: 02 9709 5781

## Design & Production

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## Text & Photography

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## Availability

The HRNSW Annual Report 2008  
is available on the HRNSW  
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## Chairmans Message

2007/08 started out as a year of great challenge and adversity for the industry due to equine influenza however the year ended on a positive note with the eradication of the disease, the opening of the Menangle Park facility and the overwhelming support of members of the NSWHRC for the sale of Harold Park.

During the course of the year the then Minister for Gaming and Racing, the Hon Graeme West MP, initiated a range of reviews aimed at assessing options for improvements in industry governance as well as a framework for the racing codes to extend its revenue base.

The newly-appointed Minister for Gaming and Racing, the Hon Kevin Greene MP, has assumed responsibility for these initiatives and has wasted little time in coming to grips with the key challenges facing the industry.

Along with the other racing codes, harness racing is at another crossroad and while we have much to be optimistic about, the issue of maintenance and growth of our revenue remains of great concern. Our industry eagerly awaits the Government response to the Scott Report and in particular the return to a single Board structure.

While 2007/08 will always be associated with equine influenza and the devastating impact that it had and will continue to have on the racing industry, there is much to be positive about in terms of the industry and where it is headed.

In last year's Annual Report I stressed the importance that the proposed sale of Harold Park had for the NSWHRC and the industry by way of freeing substantial funds that could be used by the NSWHRC and HRNSW to drive significant growth and development.

It is extremely pleasing to acknowledge the decision of the members of the NSWHRC to proceed with the sale of Harold Park, an act that has given rise to considerable optimism as to the future prospects of the industry.

In a similar vein the opening of the Menangle Park facility has generated enormous interest and confidence, and has already produced excellent turnover results in the relatively short period that it has been in operation.

These two developments along with the continued focus of HRNSW on prudent and sustainable investment in the industry will, along with the support of Government, establish a sound and enduring basis for the future development of harness racing.

In this respect the strong partnership between HRNSW, clubs and industry associations has created the right environment for productive collaborative effort that has resulted in real gains and benefits across many aspects of the industry.

If equine influenza provided a common enemy, then dealing with it and the aftermath of recovery has provided a unity of purpose that has carried over to general administration and strategic development.

Our focus at HRNSW and that of the industry is now firmly fixed on

the future and on delivering on the potential that we now have to secure our long-term sustainability and viability.

In closing I would like to extend a special thanks to Mr Peter V'Landys of RacingNSW and Mr John Dumesny of the NSWHRC for their sterling efforts on behalf of the racing industry and harness racing during the equine influenza outbreak.

On behalf of the Board of HRNSW I would like to thank Max Pool and his staff for their significant efforts and dedication during another challenging year.

Finally I would like to acknowledge the determination and selfless efforts of my fellow Board Members, Allan Briggs, Robert Corrie, Rex Horne and Rob Nalder who have continued to devote themselves to the industry's best interests as passionately and intensely during the last year of the Board's term of office as they did when we first came together in 2006.



GRAEME CAMPBELL  
CHAIRMAN

## Chief Executive's Report

Most of HRNSW's efforts during 2007/08 were focused on providing support and assistance to the industry during the equine influenza outbreak.

The welcome provision of financial assistance by the Federal Government to participants through the introduction of the Commercial Horse Assistance Payments Scheme (CHAPS) was administered by HRNSW which undertook the payment and reporting responsibilities on behalf of the harness racing industry.

While HRNSW handled the practical administrative arrangements in respect to CHAPS, the industry's approach to dealing with equine influenza was based on teamwork and cooperation with the Greyhound & Harness Racing Regulatory Authority (GHRRA) whose stewards were heavily involved in managing biosecurity arrangements as well as the vaccination and blood-testing efforts that formed the basis of dealing with the spread of the virus.

As a further indication of the cooperation that characterised the harness racing response to equine influenza, mention must be made of the significant role played by Mr John Dumesny of the New South Wales Harness Racing Club who represented the industry in the various discussions and high-level response group meetings conducted to manage the overall response to equine influenza.

The business of managing the industry did not however rest on dealing with equine influenza only and in this respect HRNSW continued to focus on its mission of developing the industry's sustainability and long-term future.

Building on the successes of 2006/07, HRNSW continued to introduce revisions to the processes and procedures by which clubs receive funding from the TAB Distribution with the intention being to arrive at the most efficient, easily understood and effective means to manage this essential activity.

Budget preparation, forecasting and ongoing management were further refined in association with club administrators to produce a system that is both simple and effective.

Similarly race date allocation and subsequent adjustment have been improved and the introduction of programming committees to reduce the likelihood of clashes has produced benefits to clubs and participants as well as promoting turnover maximisation.

Industry policies on matters such as the use of the Racecourse Development Fund, Handicapping, transfer of race meetings as a result of adverse weather and a range of other activities were also subject to ongoing revision and refinement to address current and emerging issues.

While the Carnival of Cups Series did not proceed as a result of the equine influenza outbreak, extensive general promotion and marketing activity was undertaken through the 'We're Back' campaign following the return to racing to bring harness racing back into the public consciousness.

This effort was extended to include promotion of the new breeding schemes such as the Breeders Challenge and the youth-focused Rising Stars Series both of which are becoming established as primary features of the NSW calendar.

Despite being affected by the cessation of racing arising from the equine influenza outbreak, the Gazette returned a profit for the first time in ten years in accordance with our planning justifying the effort and vision underlying its redevelopment and relaunch in 2006/07.

In terms of overall financial performance, HRNSW returned a fourth consecutive positive outcome with a real operational surplus of \$14,700 not including the positive effect of bringing the Beresfield Land onto the HRNSW books following its transfer from the GHRRA.

Given the impact of equine influenza on industry operations and funding, the production of another surplus confirms the fiscal responsibility and efficiency that underpin HRNSW's operations.

HRNSW extended this focus on financial and operational efficiency to include negotiation of a standard contract for the provision of photo-finish services across NSW that also included the provision at no cost to clubs of uniform, upgraded equipment which consequently allowed real-time posting of race finish and last lap information on the Internet.

During the year HRNSW was heavily engaged in various industry reviews such as the Five Year Review of the Harness Racing Act 2002, the Malcolm Scott Review of the NSW racing industry's regulatory arrangements, the Cameron Review of wagering as well as the review of corporate governance options for Harness Racing Australia (formerly the Australian Harness Racing Council).

HRNSW's consistent position in relation to these reviews was to advocate a return to a single board structure for industry governance in accordance with the majority industry view as being a simpler, more effective and cost-efficient model than the one currently in place.

Considerable effort was also invested in the preparation of the NSW Race Fields legislations brought in by the NSW Government to support the racing industry in reducing leakage to corporate bookmakers and other parties that use industry information without making a commensurate financial contribution to the running of the industry.

Policies and operational procedures were developed by HRNSW to manage the legislation on behalf of the harness racing industry, an involvement that will be ongoing to ensure that the outcomes arising from the introduction of the legislation remain in the overall best interests of the industry.

Looking to the future, HRNSW will continue to adhere to the three-point business strategy adopted in 2006/07 that focuses on strong financial management, innovation and solution creation and building on current achievements.

At a time when the TAB Distribution is under increasing threat, HRNSW will continue to work with clubs, government, its major business partners and other stakeholders to secure a solid revenue base on which to finance future industry development.

This will mean ensuring that all costs are appropriate and produce a definable return on investment, seeking wherever possible to develop new revenue streams and ensuring the maximum commercial return from industry assets.



Our focus on innovation and solution creation is based on a constant re-evaluation of the way in which the industry operates so that through the application of new ideas and technologies we can remain at the forefront of providing administrative leadership and services while keeping pace with developments in the broader business and entertainment environment.

In building on current achievements, HRNSW intends to further develop the Carnival of Cups and Rising Stars Series as well as the Breeders Challenge in terms of the quality of these activities and additional financial support so that they may reach their full potential.

Following on from the immediate and growing success of the new Menangle Park track, HRNSW will retain its focus on examining and pursuing options to develop state-of-the-art facilities in other areas of the State commensurate with our resources to ensure that NSW participants have access to optimum racing and training facilities. As stated in last year's Annual Report there will be much to do over the next few years to redress the harness impact of equine influenza on our racing, breeding and participants.

We have already made inroads through our initiatives to spur industry recovery and once again wish to reassure the industry that HRNSW will continue to be at the forefront of recovery and rebuilding efforts to lead harness racing towards a stable, sustainable and profitable future.



MAX POOL  
CHIEF EXECUTIVE OFFICER



# Review of Operations

## FINANCIAL PERFORMANCE

While the records indicate that HRNSW produced a profit of \$964,731 for 2007/08, this includes \$950,000 related to the transfer of the Beresfield Land from the GHRRA to HRNSW control.

In real terms the operating profit for the year was \$14,731 which is a sound result taking into account the additional activities and costs arising from dealing with the equine influenza outbreak.

TAB Distribution received at \$30M was less than the preceding year due to the cessation of racing and therefore reduction in turnover arising from equine influenza.

As a result HRNSW was required to reassess its club funding strategies for the year and while overall funding was reduced, a workable balance was struck that provided clubs with financial support during the equine influenza period as well as creating provisions for when racing resumed.

During the year HRNSW provided a major loan to the NSWHRRC of \$1.7M from the Racecourse Development Fund towards the completion of the Menangle Park track which will also ultimately form the basis for a modern training facility to be developed by HRNSW in future years.

Financial assistance in the form of supplementary funding of \$106,259 was also provided to the GHRRA to meet the costs of stewarding services disrupted by the equine influenza outbreak as well as \$198,277 towards the costs of initial blood tests and vaccination for horses as part of the efforts to restrict the spread of the virus.

The implementation of fixed annual budgets for the majority of activities met through the Industry Funds allocations continued to pay dividends by maintaining expenditure within acceptable boundaries.

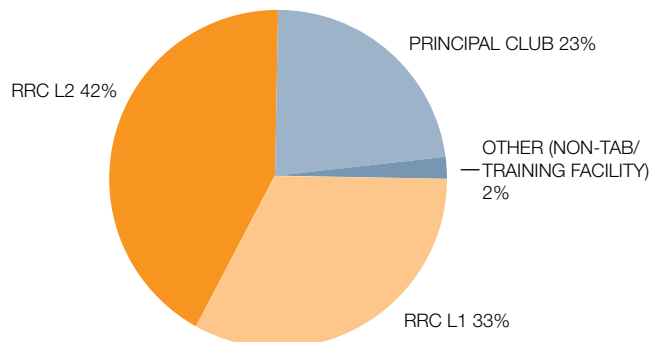
As in previous years club debt to the RDF received attention though a greater degree of latitude was provided to clubs as a result of financial pressures arising from equine influenza.

Two major outstanding club debts (Maitland and Bankstown) were close to being cleared at the end of the year with all others remaining on the schedule to be revisited and renegotiated so that all club debts are repaid within the next three years.

HRNSW's commitment to prudent, low risk financial management is to be continued into 2008/09 with the focus to again be the promotion of a strong industry through financial support of key racing initiatives while ensuring ongoing attention is paid to cost minimisation.

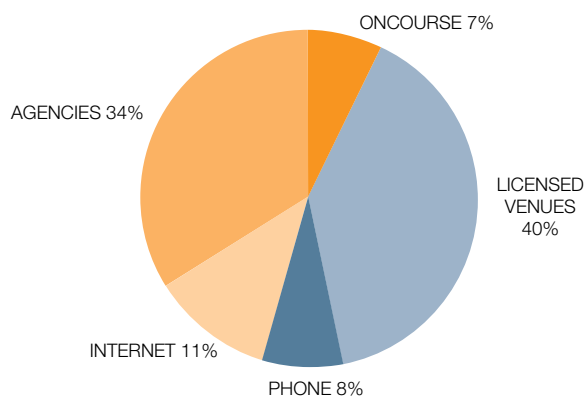
## INDUSTRY FUNDING & TURNOVER

### TAB TURNOVER BY CLUB FY2008



Note 1 - Other refers to Carnival of Cups turnover and Canberra at Goulburn.

### TAB TURNOVER BY SOURCE FY2008



As would be expected the cessation of racing resulting from the equine influenza outbreak had a major impact on industry funding and turnover performance in 2007/08.

Fees received by the NSW racing industry (thoroughbreds, harness and greyhounds) from TAB decreased by \$13.9M for a total of \$206.9M.

In line with this harness turnover for the year declined by \$74M to \$141M representing races lost during the period August 2007 to January 2008 as well the need to rebuild punter interest and investment on the return to racing in the second half of the year.

While participants received financial support through the introduction of the CHAPS programme funded by the Federal Government, clubs received no direct financial support from outside the industry and as such relied on reduced operating costs and reserves during the EI period.

On a more positive note the rate of turnover recovery once racing resumed was encouraging and should serve as a platform on which to drive improved performance in future years.

The opening of Menangle Park and the positive impact that this has had on Tuesday turnover confirms that modern tracks and facilities offer greater prospects through reduced overheads, fuller fields and resultant improvements in turnover performance and profitability.

Similarly the prospects of realising a commercial benefit from the Beresfield Land in the Hunter region have increased significantly following the transfer of the land from the GHRRA to HRNSW and the ensuing settlement of outstanding issues.

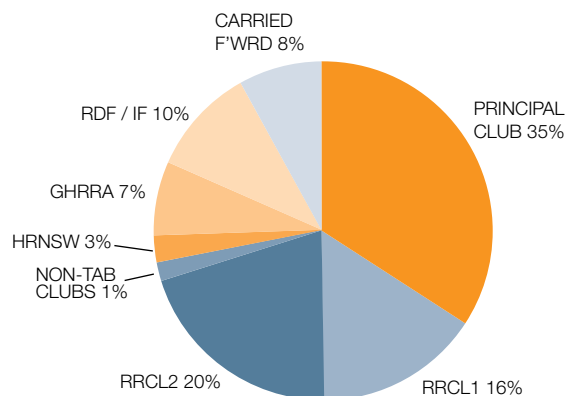
A multi-stakeholder trust involving HRNSW, the Newcastle and Maitland Harness Racing Clubs and an independent representative has been established to manage the commercial development of the Beresfield Land and has already made representations in this respect to government that should provide a positive return to the industry in the near future.

The long-sighted decision by the members of the New South Wales Harness Racing Club to sell the Harold Park property has also been welcomed by HRNSW as a step in the right direction for the future of the Club and the industry as a whole.

Realisation of a benefit from this significant and valuable asset will provide HRNSW and the NSW HRC with the financial resources to develop and strengthen the industry's position and long-term future at a time when access to revenue to fuel growth across all racing codes is under increasing threat.

## CLUB & ADMINISTRATIVE FUNDING

### DISTRIBUTION FUNDING FY2008



Note2- Carried forward refers to funding to be paid to clubs in future years for races not conducted due to EI.

HRNSW is responsible for the disbursement of funds received under the Totalizator Act 1997 to the industry including payments to clubs for prizemoney and administration, funding of general industry activities (Industry Funds) and capital works (Racecourse Development Fund), and funding of controlling body (HRNSW and the GHRRA) operating costs.

Funds received from TAB, commonly referred to as the TAB Distribution, are allocated annually by HRNSW according to the provisions of the Intracode Agreement 2002 negotiated between HRNSW and clubs, and operating budgets prepared by the Controlling Bodies.

The TAB Distribution for 2007/08 amounted to \$30M, a decrease of \$2.2M (6.82%) on funding received in 2006/07.



In accordance with the Harness Racing Act 2002 and the Intracode Agreement, a series of provisions were made 'off-the-top' of the Distribution before determination of allocations to clubs.

\$2.6M was allocated from the Distribution to fund the annual increases in the Industry Funds (\$2.05M) and Racecourse Development Fund (\$0.59M) at the prescribed rates of 6% and 2% respectively.

\$2.9M was provided to the Controlling Bodies of which \$2.08M went to the GHRRA as approved by the Minister for Gaming and Racing and \$0.8M to HRNSW as endorsed by the NSW Harness Racing Clubs Committee.

A subsequent Ministerial Determination increased the total amount of funding to be provided to the GHRRA from the Distribution to \$2.4M.

The balance of \$24M remaining after the 'off-the-top' funding provisions was allocated to clubs to fund racing prizemoney and club operating costs.

An amount of \$106,259 was required to be paid by HRNSW to the GHRRA to fund the shortfall between revenue it would have received from clubs from the provision of stewarding and starters services and its budget requirements due to the cessation of racing between August 2007 and January 2008.

Taking this additional funding requirement into account, the total funding provided to clubs in 2007/08 decreased by \$2.3M (8.85%) compared to 2006/07.

Changes in budget allocations and funding arising from the impact of equine influenza were promptly and easily handled by HRNSW and the clubs using the increasingly sophisticated budget preparation and monitoring mechanisms that have now been in place for three years.

These mechanisms and the regular reporting cycle managed through the HRCC enabled budget adjustments to be quickly implemented and results tracked during the course of the year.

In view of the impact of equine influenza on financial performance, HRNSW suspended measurement of club performance against annual performance agreements while allowing carry-over to the new financial year of allocations such as State Bred Bonus Certificates which are managed according to a clear policy based on club usage.

### **INDUSTRY FUNDS**

The Industry Funds is an allocation from the TAB Distribution that is used by HRNSW to finance general activities such as the Sires Stakes Series and Breeders Challenge Series, State Bred Bonus Scheme, Carnival of Cups, Trotters Foundation and industry promotions/marketing activities.

In 2007/08 \$2.05M was paid into the Industry Funds from the Distribution against expenditure for the year of \$2.04M. Following a complete review and overhaul of the way in which

the Industry Funds was used, the allocations which it provides for industry activities have now become a major driver of industry development and a primary tool in revitalising key aspects of the industry such as breeding.

Plans for significant investment in these activities for 2007/08 were however curtailed by the equine influenza outbreak.

While the Sires Stakes, Breeders Challenge and State Bred Bonus Schemes were continued albeit in truncated form due to the cessation of racing, other initiatives such as the Carnival of Cups were cancelled and the funding commitments from the Industry Funds redirected towards meeting GHRRA costs and costs associated with blood-testing and vaccination.

The Rising Stars Series which was not impacted by equine influenza proceeded as planned with increased support from clubs and HRNSW, and is developing into a key youth-oriented feature of the NSW calendar.

Financial support from the Industry Funds to the Mini-Trotting Association of \$22,000, including the purchase of safety vests, continues based on a three year development plan developed by HRNSW and the Association that rewards initiative and increased membership with high levels of funding as a means of encouraging the growth of this aspect of the sport.

While HRNSW brought back on stream as many planned activities as possible once racing resumed early in 2008, the financial impact of equine influenza on industry finances would not permit the planned levels of investment in these activities to be proceeded with.

HRNSW's plans for 2008/09 will therefore focus on strategies and plans to produce the level of financial support for the racing and breeding activities funded from the Industry Funds necessary to drive growth in these areas.

This will be supported by a renewed emphasis on sponsorship and other external assistance to develop these critical areas of for the long-term good of the industry.

### **RACECOURSE DEVELOPMENT FUND**

The Racecourse Development Fund (RDF) is used to provide financing for industry capital works programs including track development, enhancement of facilities and the acquisition of plant and equipment to support racing operations.

In 2007/08 \$0.586M was provided to the RDF from the TAB Distribution as annual funding. In light of the uncertainty brought about by the equine influenza outbreak the clubs and HRNSW, which share a responsibility for examining proposed disbursements from the RDF, adopted a conservative approach that saw clubs limit requests for capital funding during and immediately following the crisis.

On this basis, apart from the provision of funds to the NSWHRRC through loan arrangements for the completion of the Menangle Park redevelopment, RDF expenditure was considerably curtailed compared to previous years.

An amount of \$0.095M was provided to the GHRRA from the



RDF to fund its annual capital requirements for motor vehicles and computing assets based on a budget prepared by the GHRRA and approved by the Minister for Gaming and Racing.

The funding of replacement track conditioners and graders for clubs commenced in 2006/07 was completed on the basis of greatest need with other club requests to be followed up in the forthcoming financial year when a greater degree of funding stability is expected.

A contribution was made from the RDF towards a feasibility study of a new 1,000m track at Tamworth with the cost of the study shared with GRNSW and the Tamworth Regional Council, both of which have an interest in the development of a new racing precinct in the area.

The results of the study are expected in early 2009 at which point HRNSW will engage in further discussions as to the design, timing and cost of the proposed precinct before arriving at a final decision on the proposal.

Similarly HRNSW has engaged in discussions with stakeholders in the Riverina region to ascertain what options may be available for the development of a modern harness racing facility in the region.

These discussions led to the creation of a working group led by local participants on which all Riverina clubs are represented, and the preparation and distribution of a criteria paper by HRNSW setting out various considerations and conditions associated with the proposed facility.

The working group is scheduled to report back to HRNSW by the end of 2008 which will enable further analysis to be undertaken before consideration of the next possible steps by the new HRNSW Board in early 2009.

### **BENEVOLENT FUND**

The Benevolent Fund is a trust established by the harness racing industry to provide financial assistance to current and past participants who may find themselves in difficult financial circumstances.

The Benevolent Fund is administered by HRNSW which in the past has approved requests for assistance to contribute towards funeral costs and provide levels of financial respite especially in cases where there has been a lag in the release of insurance benefits by providers.

In the past portions of fines levied on participants for transgressions of the rules of racing were directed to the Benevolent Fund to grow its resources.

This practice has ceased and while HRNSW sought reconsideration by the GHRRA of its current policy, the Benevolent Fund continues to grow only by the interest received on investments and payments made to it from time to time by HRNSW from surplus funds.

In view of this HRNSW undertook to establish the Benevolent Fund as a Charitable Fundraising organisation which allows the Fund to conduct fundraising activities under licence as a means of growing

its resources and providing assistance to participants.

The arrangements to achieve this transition have been completed with the members of the HRNSW Board now established as directors of the Harness Racing Benevolent Fund.

HRNSW plans to conduct at least one charitable fundraising activity during 2008/09 to raise funds for the Benevolent Fund.

In keeping with confidentiality provisions, HRNSW does not report on applications received by the Benevolent Fund and amounts disbursed.

### **RACES AND RACE MEETINGS**

No changes were planned for the total number of races and race meetings to be conducted during 2007/08 in keeping with HRNSW's strategy of directing any funding growth towards increasing prizemoney.

Races were allocated to clubs by HRNSW as part of the annual budget cycle and in accordance with the various provisions of the Intracode Agreement.

The cessation of racing as a result of equine influenza threw the racing calendar into disarray resulting in the loss of approximately 170 race meetings (1,360 races) across the State between August 2007 and January 2008.

While arrangements were made through the efforts of the clubs and with the assistance of GHRRA stewards to provide racing during the equine influenza period at Bathurst and Wagga, this could only be a limited response given that the majority of the industry was affected by the horse movement restrictions put in place to limit the spread of the virus.

In light of this HRNSW continued to provide administrative funding to all clubs to meet costs associated with dealing with equine influenza while retaining for future distribution prizemoney funding.

### **EQUINE INFLUENZA**

The outbreak of equine influenza had a major negative impact on the industry, the effects of which will continue to be felt for several years especially in relation to the horse population.

At the outset HRNSW must acknowledge the efforts on behalf of the harness racing industry of Mr Peter V'Landys of RacingNSW who while championing the cause of the thoroughbred industry for financial assistance from the State and Federal Governments went to great lengths to ensure that harness racing was also included in the various relief packages provided.

While at the controlling body level effort was concentrated on obtaining the necessary information to deal with the spread of equine influenza and agree upon conditions under which a return to racing could be brought about, club administrators played an essential role in organising local efforts to control equine influenza, provide information to participants and organise blood-testing and vaccination of horses.

HRNSW's primary involvement was taken up with the administration

of the various financial assistance schemes provided by the State and Federal Governments to assist the industry during equine influenza, the most significant of which was the Commercial Horse Assistance Payments Scheme (CHAPS).

CHAPS provided financial relief to participants of \$20 per horse per day of which \$2 per horse per day was retained by HRNSW to meet other industry participant costs.

The essential purpose of CHAPS was to keep horses in work so that a speedy resumption of racing could occur once equine influenza had been contained and eradicated.

HRNSW staff worked extended hours during the period when CHAPS was available to ensure that all eligible participants were aware of the scheme, were able to register for payments and received their funds with minimum delay and confusion.

It also fell to HRNSW to police the Scheme to ensure that payments were only made to eligible horses and that the majority of benefits received were directed to trainers and owners in accordance with the principles of CHAPS as set out by the Federal Department of Agriculture, Fisheries and Forestry (DAFF).

It is pleasing to note that of the many thousands of transactions processed by HRNSW, only two investigations were required in relation to allegedly fraudulent claims for CHAPS neither of which was found to require any further action.

The challenge for the industry in the wake of equine influenza is how to recover horse numbers over the next few years given that the virus brought the breeding industry to a standstill.

While CHAPS and the various other assistance programs contributed greatly to keeping current horses within the industry, no assistance was received for the breeding industry with the expected outcome being a severe shortage of horses in two years which will flow through the age groupings for several years after.

As the most severely affected State it may be expected that NSW will become heavily reliant on interstate and NZ horses in future years to maintain full field sizes.

Revisions to handicapping and related policies are already under study both locally by HRNSW and at the national level by Harness Racing Australia to ensure that the largest pool of horses can be assembled to support racing while the local breeding industry and horse numbers recover.

As an adjunct to this HRNSW plans to maintain and increase where possible its investment in the breeding industry to provide for greater self-sufficiency and sustainability into the future.

HRNSW has also been at the forefront in pursuing possible compensation for the NSW industry in association with the other States through Harness Racing Australia as a result of the equine influenza outbreak.

While the Callinan Inquiry established that there was a failure on the part of AQIS in relation to adherence to horse importation protocols,

advice provided to the racing industry confirmed that legal action to recover costs and obtain compensation was not likely to succeed.

In view of this no further action is planned on this though it should be noted that the Federal Government confirmed that it would not pass on the costs of eradicating equine influenza to the industry thus saving millions of dollars which would have had to be recovered through the adoption of a levy on horse registrations for several years.

There is some prospect of obtaining assistance, either directly or indirectly, from the Federal Government towards industry initiatives such as breeding, job creation and training that HRNSW is committed to exploring through Harness Racing Australia, with effort to be invested in this area during 2008/09.

Further to this HRNSW has also engaged in discussions with clubs and the GHARRA to embark on an industry re-evaluation of the equine influenza outbreak so that hard lessons learned are not forgotten and industry plans developed and put in place to provide quicker response times and reduced risk in the event that another equine influenza outbreak occurs.

#### **RISING STARS SERIES**

HRNSW continued to invest in the Rising Stars Series which was one of the few events that was unaffected by the equine influenza outbreak.

Along with the NSW Harness Racing Clubs Committee, the Graduation & Penalty Free Clubs Association and with the new sponsorship provided by the Pegasus Print Group, HRNSW was able to expand the Rising Stars Series to provide its participants with a more rounded experience that included educational aspects on top of traditional racing activities.

A strong media presence carried over from the previous year's Series at the official launch which was carried out at Jay Jay Farm through the kind assistance of the Fitzpatrick family.

In keeping with HRNSW's aims for the Series a range of character-building and educational activities were provided including a session with GHARRA stewards who provided the young drivers with a greater understanding of the control and management of races as well as keys to safe and fair racing.

With the Series now well-established as the premier youth-focused event on the NSW racing calendar, HRNSW will continue with the development of the Series to provide the State's leading up and coming drivers with valuable experience and exposure on the finer points of the sport.

#### **SIRES STAKES SERIES**

The 2008 NSW Sires Stakes Series comprised 41 races made up of 29 heats, 8 semi-finals and 4 finals with a total of \$810,000 being distributed as prizemoney.

All four Group 1 \$100,000 finals were conducted at Menangle Park on the day of the track's official opening on 29th June 2008.

In conjunction with the 3 other Group 1 races conducted on the day, the running of all finals on the same program produced

tremendous excitement heightened by the attendance of a huge crowd, buoyant with the opening of the new facility.

Details of the entire series are as follows:

#### Two Year Old Colts & Geldings

10 races in total and \$200,000 in total prizemoney paid.

Races	P/M per race	Total P/M
7 Heats	\$10,000	\$70,000
2 Semi-Finals	\$15,000	\$30,000
1 Final	\$100,000	\$100,000

The final held at Menangle on 29 June 2008 was won by *Hurricane Jet*, bred by P J & H Hurley, owned by J E Davies and N C Buckley, trained by Jane Davies and driven by Chris Alford.

#### Two Year Old Fillies

9 races in total and \$190,000 in total prizemoney paid.

Races	P/M per race	Total P/M
6 Heats	\$10,000	\$60,000
2 Semi-Finals	\$15,000	\$30,000
1 Final	\$100,000	\$100,000

The final held at Menangle on 29 June 2008 was won by *Ananz*, bred by G J Armstrong, T J, B J, N R and A J Cormack, owned by B J, T J and A J Cormack, trained and driven by A G Bucca.

#### Three Year Old Colts & Geldings

11 races in total and \$210,000 in prizemoney paid.

Races	P/M per race	Total P/M
8 Heats	\$10,000	\$80,000
2 Semi-Finals	\$15,000	\$30,000
1 Final	\$100,000	\$100,000

The final held at Menangle on 29 June 2008 was won by *Standelle*, bred by R G and O S Mitchell, owned by R J Mitchell and T L Veech, trained and driven by Jimmy Brown.

#### Three Year Old Fillies

11 races in total and \$210,000 in prizemoney paid.

Races	P/M per race	Total P/M
8 Heats	\$10,000	\$80,000
2 Semi-Finals	\$15,000	\$30,000
1 Final	\$100,000	\$100,000

The final held at Menangle on 29 June 2008 was won by *Burning Stature*, bred by W L Lamb, owned by M T Hewitt, G W Halls and T J Toole, trained and driven by Mark Hewitt.

#### Stallion Performance

Total number of wins in the overall NSW Sires Stakes Series:

Sire	Wins
<i>Aces N Sevens USA</i>	8
<i>Jennas Beach Boy USA</i>	7
<i>Heartland Hanover USA</i>	5
<i>Brioso Hanover USA</i>	4
<i>River Khan</i>	4
<i>Ifihadyourluck USA</i>	2
<i>Panorama USA</i>	2
<i>Stand Forever USA</i>	2
<i>Stature USA</i>	2
<i>Strong Life USA</i>	2
<i>Arrnbro Oliver</i>	1
<i>Bad Bert USA</i>	1
<i>Justanotherpoorboy USA</i>	1

Dam Sire *	Wins
<i>Panorama USA</i>	6
<i>Safely Kept USA</i>	5
<i>New York Motoring USA</i>	3
<i>Bonzo Hanover USA</i>	2
<i>Golden Greek USA</i>	2
<i>Power House Lobell USA</i>	2
<i>Ramsey Hanover USA</i>	2
<i>Sun Lamp USA</i>	2
<i>Trustmaker USA</i>	2

\* Minimum 2 wins

#### NSW BREEDERS CHALLENGE SERIES

The 2008 NSW Breeders Challenge Series comprised 7 heats, 4 for 2YO Colts and Geldings and 3 for 2YO Fillies conducted at Menangle on 8th July 2008 and 2 Finals conducted at Menangle on 20th July. \$477,000 was distributed in prizemoney and bonuses

All seven heat winners won in under a two minute mile rate, highlighting the quality of the youngsters involved and the speed of the newly opened track.

In addition, 61 Breeders Challenge Cash Bonuses were distributed to eligible 2YO winners from 1st February to 30th June.

Details of the series are as follows:

### Two Year Old Colts & Geldings

5 races in total and \$185,000 in prizemoney paid.

Races	P/M per race	Total P/M
4 Heats	\$15,000	\$60,000
1 Final	\$125,000	\$125,000

The final held at Menangle on 20 July 2008 was won by Captain Joy, bred and owned by M H Ross, trained by Susan Hunter and driven by Robbie Byrnes.

### Two Year Old Fillies

4 races in total and \$170,000 in total prizemoney paid.

Races	P/M per race	Total P/M
3 Heats	\$15,000	\$45,000
1 Final	\$125,000	\$125,000

The final held at Menangle on 20 July 2008 was won by *For Dear Life*, bred by W E Honan, Owned by Killarney Farms Pty Ltd, trained and driven by Wayne Honan.

### FEATURE RACES

The start of the NSW feature race calendar was devastated by the EI outbreak which resulted in the cancellation of many of the state's feature events including the Chariots of Fire, Newcastle Mile, Miracle Mile, Treuer Memorial and Ladyship Mile, the latter rescheduled to run on Menangle Park Opening Day.

With EI raging in the eastern states, war horse *Lombo Pocket Watch* headed west to capture the McInerney Ford 4YO Classic and the Gold Nugget before embarking on a successful Victorian raid. He returned to NSW later in the season to fail narrowly in the Len Smith Mile and Chariots of Fire before bidding adieu to his army of fans and heading to the breeding barn.

While his Harold Park quarantine companions, *Amorts*, *Just Pretend*, *Merry Lamb* and *Flightpath* also acquitted themselves well in Victoria, the Peter Rixon trained and driven Divisive flew the flag for NSW in the Inter Dominion Final with a bold second to *Blacks A Fake*. The former Derby star, one of the few horses allowed to travel from NSW to Victoria during EI, started his campaign brilliantly with wins in the Pure Steel and the Shepparton Cup.

Proven standing start and cup performer *Bold Cruiser* upstaged the locals to take home the Renshaw Cup, one of the few open class features conducted in NSW during the year.

Interstate raiders also borrowed the trophies for the Trotters Mile (*Earl Of Mott* – trained and driven by Lance Justice) and the rescheduled Ladyship Mile (*Good Lookin Girl* – trained by Bill Dixon and driven by Natalie Rasmussen).

NSW trainers however, had a particularly stellar year with juveniles in 2008 with a range of feature race wins throughout Australasia.

Heading the list of outstanding youngsters were two horses from

the Susan Hunter stable, *Captain Joy* and *Kept for Pleasure*, and a regally bred filly in the Wayne Honan yard. Driven by Robbie Byrnes, *Captain Joy* captured the inaugural NSW Breeders Challenge for 2YO C&G in Australasian record time before beating a star studded field in the 2YO C&G Breeders Crown Final when partnered by Gavin Lang.

*Kept For Pleasure*, also partnered by Gavin Lang, added the Victorian and the Australian Oaks to her impressive 2YO resume before running 2nd in the APG 3YO Fillies Final. The filly was considered unlucky in the NSW Oaks Final in March, with the race won by smart Queenslander *Don't Fall For Me*. The pair secured selection on their outstanding previous form when three of the four qualifying heats were washed out at Harold Park a week earlier.

Wayne Honan and Killarney Farms produced yet another champion 2YO filly in *For Dear Life*. The filly won 5 and was placed 4 times from 11 starts, bank rolling over \$170,000 and taking the inaugural NSW 2YO Fillies Breeders Challenge in a smart 1:55.8 mile rate. 2nd on the day was *Ima Spicey Lombo*, trained by Paul Fitzpatrick and driven by his son Blake, who atoned slightly for that defeat with victory over *For Dear Life* a fortnight later in the Pink Bonnet.

*Deadsetlucky*, trained and driven by David Kennedy at Coleambally, proved to be one of *Captain Joys* few vanquishers for the season in the Group 1 Kevin Seymour Final at Albion Park. The youngster also accounted for some smart Victorians in the Sapling Stales at Moonee Valley in March.

The Bathurst Gold Crown Carnival was once again a highlight of the season with bumper crowds and smart juveniles from across the country attracted to the central-western track. *Flight Dynasty* returned to NSW following an unlucky second in the Victoria Derby, to take home the Chalice, while former local Craig Turnbull returned home to capture the Gold Bracelet with *Vista Bella*.

Champion filly *Ananz* made one of several successful interstate raids to capture the Gold Tiara, while *Emjayem Grand*, driven by Glenn McElhinney for trainer Ben Setttee who partnered *Bourgeoisie*, was a deserved winner of the Gold Crown Final. The impressive colt finished the season with 7 wins from 11 starts, including the NSW Sapling Stakes.

The band of NSW trained 3YO Colts and Geldings was particularly strong. *Beach Fighter*, trained by Peter Dewsbury and driven by Blake Fitzpatrick, brought the NSW Derby trophy back to NSW.

*Standelle*, trained and driven by Jimmy Brown, added the Queensland Derby to his great season record which also included the 3YO C&G Sires Stakes Final beating *Beach Fighter* by a narrow margin.

*Greg Kelly* driven by Bruce Harpley and trained by Bernie Kelly beat an outstanding field in the Australian Derby and looked the favourite in the Victorian 3YO C&G Sires Stakes Final after an impressive semi-final win before injury ended his season.

Later in the season, *Esprit De Kayjay* driven by Gavin Lang and trained by Paul Fitzpatrick, upset a stellar field in the APG 3YO C&G Final at Moonee Valley while *Magic Operative*, trained and driven



by Neil Day also upset the southern contestants with a smart win in the Australasian Breeders Crown 3YO C&G Final. Other NSW victors on the day, *Muscle Beach*, trained by Brian Hancock and driven by Howard James in the 3YO Fillies Final, and as previously mentioned, *Captain Joy* in the 2YO C&G Final, rounded off a proud day for NSW harness racing.

## BREEDING SCHEMES

### Reform for the Future

Following considerable internal analysis HRNSW embarked on a complete revision of the breeding schemes operating in NSW with the aim of providing greater stimulus to support the breeding industry.

Broad consultation in the form of discussion papers, draft terms and conditions and several forums conducted in the country provided an opportunity for industry input into the reform process.

After what amounted to just under 12 months of review and consultation, HRNSW announced in late 2007 the implementation of a series of revisions and initiatives that will form the basis of NSW's breeding schemes for the foreseeable future.

### Breeders' Challenge

The first substantial change to the form and structure of NSW's breeding schemes in 28 years came into play with the implementation of the NSW Breeders' Challenge.

The Breeders' Challenge has been formulated in part to meet the need in NSW for a significant series available for breeders who bred to stallions that were not domiciled in NSW. With the introduction of the Breeders' Challenge, breeders now have the benefit of being able to choose any stallion worldwide knowing that the progeny can race in a series for substantial prizemoney in their home state.

The new series caters for 2 and 3YO horses that are at least 50% NSW bred, meaning that either the stallion or broodmare must be domiciled in NSW at the time of insemination.

The Breeders Challenge has been structured as a futurity race series where prizemoney levels are determined by the number of nominations. 760 nominations were received for Series 1 and 878 nominations for Series 2. Series 3 attracted 734 nominations from a smaller live foal base and represented a significant percentage increase of participation. A compulsory Breeding Registration Fee has been introduced for matings in 2008 and beyond which is to be paid by studs and breeders (payable upon live foal). The fee to breeders forms part of the foal registration fee.

Participation in all NSW Breeding Schemes is the responsibility of the horses' owner through the introduction of an optional

Participation Fee that will provide entry into any breeding-related racing series conducted now and in the future by HRNSW. To spread the load on owners, Participation Fee pay-ups will be made in instalments.

Fees received for participation in the various breeding schemes will enable the consolidation of funds which are then to flow back to

the industry in the following ways:

- Increased prizemoney funding for the Series,
- Increased funding whereby Breeders who sell will continue to be paid an increased percentage of prizemoney for the horses they bred that win NSW Breeders Challenge events,
- Increased funding of the State Bred Bonus Scheme.

### Sires Stakes Series

The terms and conditions for the NSW Sires Stakes Series have remained unchanged allowing only progeny of a NSW based stallion to be eligible for the Series.

Trends suggest that more and more breeders are best matching their mares to all available stallions. Based on these trends it was envisaged that the number of foals bred by non-NSW based stallions will continue to substantially increase and as such the NSW Sires Stakes will become less viable over time.

The Series is to continue until 2010 in order to honour all past matings made under the existing terms and conditions. Foals born in 2007/08 are the last crop for which a Sires Stakes series will apply and the compulsory nomination for this series will be replaced in 2008/09 by a compulsory Breeders' Challenge nomination for all eligible foals registered in NSW.

### State Bred Bonus Scheme

As part of its broader reform package HRNSW announced changes to the terms and conditions of the NSW State Bred Bonus Scheme (SBBS).

Eligibility for the SBBS is now limited to NSW Breeders Challenge eligible horses and entry into the Scheme is optional.

In addition, on the back of significant funding increases for the Scheme, HRNSW has revised the way in which certificates are allocated to and distributed by clubs.

Allocation of SBBS certificates to race clubs is now based on the number of race meetings to be conducted annually by clubs.

In recognition that the annual allocation of certificates is not always fully distributed, which means that funds committed by HRNSW to the SBBS have not found their way to participants, HRNSW has introduced a 'Use It or Lose It' policy and a jackpot condition for clubs.

The 'Use It or Lose It' policy means that clubs that do not distribute their allotted certificates in a year will have their allocation of certificates reduced in the following year. Surplus certificates will subsequently be directed to clubs that are meeting their commitments to distribute their annual allocation to participants.

As other factors sometimes impinge on club ability to distribute certificates, HRNSW has also introduced a new jackpot condition to allow clubs that are falling short of distributing their annual allocation to program a jackpot race whereby two certificates with a total value of \$4,000 may be issued to winning SBBS-eligible horses. By jackpotting certificates clubs will be able to program specific races that have an increased likelihood of attracting top quality race fields.

As a final initiative HRNSW has also set a limit of three certificates per horse per age group in order to ensure that more participants have access to what has proved to be a very popular and successful stimulus to the breeding industry.

## CLUB OPERATIONS

### Principal Club

The NSWHRRC (Harold Park) conducted 47 race meetings (390 races) and received \$11.4M in total funding from the Distribution in 2007/08.

Total turnover on metropolitan meetings was \$32M.

### Regional Racing Centres Level 1

The Regional Racing Centres Level 1 (Menangle, Newcastle and Penrith) conducted 94 race meetings (803 races) and received \$5.2M in total funding from the Distribution.

Total turnover on TAB meetings conducted by these three clubs was \$46M.

### Regional Racing Centres Level 2

The Regional Racing Centres Level 2 (Bankstown, Bathurst, Bulli, Dubbo, Parkes, Tamworth, Wagga and Young) conducted 153 race meetings (1231 races) and received \$6.9M in total funding from the Distribution.

Total turnover on TAB meetings conducted by these eight clubs was \$60M.

### Graduation and Penalty Free Clubs

The Graduation Clubs (Albury, Junee, Leeton, Orange and Temora) conduct Non-TAB racing with a minimum prizemoney level of \$2,000.

The Penalty Free Clubs (Blayney, Broken Hill, Coolamon, Cootamundra, Cowra, Eugowra, Forbes, Griffith, Inverell, Muswellbrook, Narrabri, Peak Hill and West Wyalong) conduct Non-TAB racing with a minimum prizemoney level of \$1,000.

Graduation and Penalty Free Club racing and funding was significantly disrupted by the equine influenza outbreak in 2007/08 with the majority of race meetings being carried over to the next financial year as a result.

### Training Facilities

Fairfield and Maitland continue to operate as funded training facilities providing participants with venues at which to trial and train their horses.

Following the completion of the Menangle Park complex and subject in part to the proposed sale of Harold Park, HRNSW plans to develop a state-of-the-art training facility at Menangle Park.

### Harness Racing Clubs Committee

The NSW Harness Racing Clubs Committee was formed in 2002 to replace the TAB Clubs Association as the body responsible for working with HRNSW to administer the industry's club and racing operations as outlined in the *Intracode Agreement*.

HRNSW provided representation at all HRCC meetings held during year to advise delegates on progress with HRNSW initiatives, inform clubs on industry financial performance and receive feedback on matters of importance.

The HRCC has developed into an integral part of industry administration by providing clubs with direct collective input into HRNSW operations as well as serving as a forum for the free exchange of ideas.

The HRCC is funded from an annual levy on its members and does not receive any financial assistance from HRNSW.

### Graduation & Penalty Free Clubs Association

The Graduation & Penalty Free Clubs Association was formed in 2003 to replace the Country Clubs Association following changes arising from the implementation of the HRNSW Strategic Plan that also led to the formation of the HRCC.

HRNSW representatives attended the majority of Graduation & Penalty Free Clubs Association meetings conducted during 2007/08. The Graduation & Penalty Free Clubs Association is funded from an annual levy on its members and does not receive any financial assistance from HRNSW.



## External Relations

### TABCORP

HRNSW continued to work with Tabcorp to further the interests of the racing industry in general and harness racing in particular.

Primary efforts in this respect involved obtaining better understandings between the parties on industry turnover performance and general business strategies to stimulate the growth of funding to the racing industry.

Along with RacingNSW and GRNSW, HRNSW attends regular Business and Strategy Committee meetings with key Tabcorp personnel the aim of which is to drive the wagering business forwards through increased collaboration and understanding between the industry and Tabcorp.

### RACINGCORP

Racingcorp is a company founded by the three racing codes to act as an agent in dealings with government and Tabcorp on matters relating to the Racing Distribution Agreement and Intercode Deed.

HRNSW representation on the Racingcorp Board is provided by Mr Graeme Campbell (HRNSW Chairman), Mr Max Pool (HRNSW CEO) and Mr Ray Sharman of the NSWHRRC.

Matters on the Racingcorp agenda included further consideration of support for the introduction of merged pools, taxation relief and implementation of race fields legislation.

Due to changes to the Thoroughbred Racing Act and the introduction of a new RacingNSW Board, Racingcorp did not meet as frequently in 2007/08 as it has in previous years.

### HARNESS RACING AUSTRALIA

HRNSW is a joint member with the GHRRA of the Australian Harness Racing Council, the industry's peak consultative body on harness racing.

During the year the AHRC was renamed Harness Racing Australia as part of a broader move to modernise and empower the organisation through corporatisation.

The various national controlling bodies and principal clubs are yet to reach a final position on the form and structure that Harness Racing Australia should adopt in terms of corporate governance and what its new charter should be.

HRNSW has made representations advocating the establishment of a more representative body at the executive level with HRA to be provided with a much clearer brief focused on national issues such as building a relationship with the Federal Government.

In the meantime HRNSW has provided input and representation at both the executive and Board levels to various HRA committees including the Wagering Committee, Breeding Committee, National Marketing Committee and the Integrity and Handicapping Committee.

### HRIPAC

The Harness Racing Industry Participants Advisory Committee is a consultative body consisting of industry representatives that assists

HRNSW with the development and implementation of industry initiatives.

HRNSW enjoys a sound working relationship with HRIPAC and has met with the members of the Committee as required by the *Harness Racing Act 2002*.

HRIPAC members have assisted HRNSW with various workshops, forums and surveys conducted across the State during 2007/08 aimed at communicating major industry developments and proposals to participants.

### INDUSTRY ASSOCIATIONS

Relations with the three active industry associations – the United Harness Racing Association, NSW Standardbred Breeders and Studmasters Association, and the NSW Mini-Trotting Association – were strengthened during 2007/08 on the basis of a variety of cooperative ventures with HRNSW.

All three Associations benefited from the creation and promotion of new websites by HRNSW that will enable the Associations to better communicate with their members.

The UHRA and NSWBSA in particular continued to provide substantial feedback to HRNSW on current and emerging industry concerns, and have been instrumental in assisting with the development of policies aimed at addressing these concerns.

HRNSW provided assistance with the development of a new three year plan for the Mini-Trotting Association and has committed resources towards increasing the promotion of mini-trotting as an activity for youngsters across the State.

A commitment has been made by HRNSW to examine with the Associations ways and means by which their membership may be increased as well as options for improving their financial bases.

HRNSW's commitment towards the establishment of strong, representative industry associations is to continue in future years with a new focus on promoting the creation of new associations to represent segments of the industry that at this time lack a mechanism to more actively participate in industry administration.

### FIVE YEAR REVIEW OF THE HARNESS RACING ACT

*The Harness Racing Act 2002* includes a provision requiring that the Act be reviewed after five years to ascertain whether its objectives remain valid.

The five year review of the Act came due during 2007/08 and was consequently initiated by the Minister for Gaming and Racing who through the Office of Liquor, Gaming and Racing called for submissions from stakeholders on the provisions and powers of the Act and whether the objectives that led to its establishment remained valid.

HRNSW's submission on the review of the Act argued that while the Act's objectives remained valid given HRNSW's successful track record of strategic commercial management, the predominant mood in the industry was for a return to a



single board structure with the board to remain independent of government as has been the case with HRNSW.

HRNSW further argued that the separation of the commercial and regulatory functions in association with a merged harness and greyhound organisation had produced less than optimum results, and was a major source of industry debate and concern.

The matter of action to flow from the five year review of the Act remains under consideration by the Minister.

### **INDEPENDENT REVIEW OF THE REGULATORY OVERSIGHT OF THE NSW RACING INDUSTRY**

The Independent Review of the Regulatory Oversight of the NSW Racing Industry (Scott Review) arose from a recommendation made in the Review of the Thoroughbred Racing Act undertaken by Mr Ken Brown.

The recommendation to the Minister called for a review of the powers and procedures of controlling bodies tasked with the regulatory management of the racing industry, in this case RacingNSW and the GHRRA.

Mr Malcolm Scott was appointed by the Minister for Gaming and Racing to undertake this review which was commenced and completed during 2007/08.

In essence the Scott Review recommended changes to the disciplinary and appeals processes used by the racing industry and the consolidation of stewarding activities across all three racing codes into a single body.

HRNSW provided its views on these matters directly to Mr Scott at a meeting with the HRNSW Board and later by way of a submission on the release of his Report which supports the majority of recommendations for changes to the regulatory management of the racing industry.

As with the five year review of the Harness Racing Act, the matter of action to flow from the Scott report remains under consideration by the Minister.

### **INDEPENDENT REVIEW OF WAGERING REGULATION IN NSW**

As part of a broader process of review and reform the Minister for Gaming and Racing appointed Mr Alan Cameron to undertake an independent review of wagering regulation in NSW.

The purpose of the review was to ascertain impediments and prospects for the future growth and development of a sustainable racing industry in NSW in light of the industry's dependence on revenue generated through wagering operations.

HRNSW made a submission on behalf of the harness racing industry to the Cameron Review that argued two key points – 1) internal industry funding arrangements should be left to the codes to determine and agree under the provisions of existing industry commercial arrangements and 2) harness racing supported in principle the deregulation of the wagering industry as long as assurances were provided that the racing industry would be no worse off financially as a result. While the review has been completed, the Cameron Report is yet to be released for public comment.





# Corporate Structure

## STAFFING

HRNSW's permanent staffing levels did not change during the course of the year and on the basis of current responsibilities and plans no changes are envisaged to staffing levels in 2008/09.

Personnel changes during the year included the departures of Mr Tim Vial, Chief Financial Officer, to join Tabcorp's NT bookmaking operation Luxbet in a similar role and Mr Adam Fairley, Racing Manager, who joined Harness Racing Queensland as Chief Handicapper.

## FINANCE & ADMINISTRATION

The Finance & Administration section is headed by Mr Peter Carney and comprises a total of three staff.

The section is responsible for the administration of funding arrangements with Tabcorp, payment of funds to clubs and management of industry funds administered on behalf of the industry by HRNSW.

In addition the unit manages the Centralised Stakes Payment System through which prizemoney and other payments are made to participants on behalf of all clubs.

The replacement of the aged and unsupported Epicor Platinum system was undertaken during 2007/08 with less than perfect initial results.

An extensive process of retesting and rectification has followed with considerable reduction in the number of faults reported from the initial implementation.

Staff retraining on the new system has commenced and revised procedures developed to produce the efficiencies expected from the introduction of the new system.

As would be expected the section was at the forefront of processing payments to participants available through CHAPS as well as providing reporting back to the Department of Agriculture, Fisheries and Forestry during the equine influenza period.

## PROMOTIONS & MARKETING

The Promotions & Marketing section is staffed by Ms Lauren Sykes with additional assistance being provided by other staff as required.

During 2007/08 the section continued to develop the form and content of the NSW Harness Racing Gazette while widening the advertising base. Other initiatives included administration and promotion of the Rising Stars Series, production of websites for industry associations and the creation and management of the 'We're Back' campaign launched following the return to racing to raise public awareness of the resumption of harness racing.

The section provided assistance to clubs on joint promotions and marketing activities including the introduction of the Breeders Challenge.

Plans for 2008/09 include more extensive involvement in the promotion and marketing of the Interdominion in association with

the National Marketing Committee, a relaunch of the HRNSW website to provide easier access and greater functionality, and more extensive promotion of the NSW breeding industry and breeding-related schemes.

## RACING POLICY & OPERATIONS

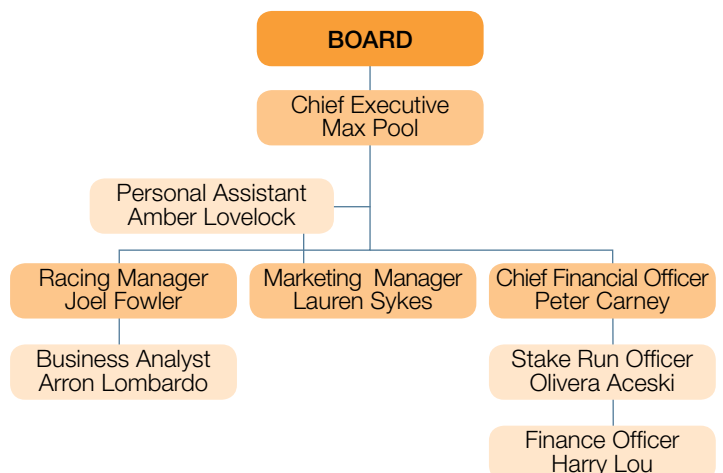
The Racing Policy & Operations section is headed by Mr Joel Fowler formerly of TAB and Mr Arron Lombardo.

The role of the section is to prepare policy on issues such as handicapping, race programming and scheduling, race date allocation as well as the day-to-day management of breeding schemes and the issue and redemption of State Bred Bonus Certificates.

In addition to these responsibilities the section is also charged with the preparation of statistical and performance reports for the Board, Executive and clubs on racing-related matters such as turnover performance, horse movements and population, and club performance to agreed KPIs.

Major studies undertaken by the section during 2007/08 included an update on racing demographics that examined changes in horse population and participant numbers across the State aligned to ABS statistics as well as a more specific study on the origin of horses racing at every track in the State which would allow conclusions to be drawn on where clubs attract horses from.

## ORGANIZATION STRUCTURE



# Corporate Governance

## BOARD RESPONSIBILITIES

The HRNSW Board has in place a Code of Conduct that sets out the responsibilities of the Board and its individual members.

In terms of corporate governance the Board is responsible for:

- Promoting ethical and responsible decision-making,
- Ensuring compliance with laws, regulations, appropriate accounting standards and corporate policies,
- Setting and reviewing strategic direction,
- Approving the annual operating budget and monitoring financial performance,
- Approving and monitoring capital expenditure,
- Monitoring risk management, and
- Recognising the legitimate interests of stakeholders and ensuring that the industry is kept fully informed of all material developments in relation to harness racing.

## BOARD STRUCTURE

The HRNSW Board is an industry representative body comprised of four members selected by the industry and an independent chairman selected by the industry-nominated members.

Representation on the Board is as follows:

- One person nominated by the New South Wales Harness Racing Club (Harold Park) as the Principal Club,
- Two persons nominated by harness racing clubs (other than the New South Wales Harness Racing Club), with one of the nominees being nominated by the TAB Clubs and the other being nominated by country clubs,
- One person nominated by participants in the harness racing industry (being owners, trainers, drivers, bookmakers or other persons involved with harness racing).

On appointment the four industry-nominated members select an independent chairman through an open recruitment process administered by an external recruitment agency.

The term of office of each member including the chairman is three years. In this respect the term of the current board is due to expire in early February 2009.

Nominations for the Board are expected to be called in late 2008 with an announcement as to the appointment of the four industry-nominated members to be made in January 2009.

One of the first acts of the incoming HRNSW Board will be to commence the process for the selection of an independent chairman.

Based on previous practice it is anticipated that the exercise to select a new Board and chairman will be completed by March 2009.

## MEETINGS

HRNSW conducts Board Meetings on a monthly basis usually on the third Wednesday. In special circumstances where matters must be considered outside this timeframe, the Board holds special Board Meetings either in person or by teleconference.

Regular meeting attendances for 2007/08 were:

Board Member	Normal Meetings	Total Attended
G Campbell	10	10
A Briggs	10	10
R Corrie	10	10
R Horne	10	10
R Nalder	10	10



## Policies & Procedures

The Board and staff of HRNSW are bound by confidentiality agreements and a Code of Conduct.

The Code of Conduct is reviewed annually for relevance and applicability in light of ever-changing business and personal responsibilities and requirements.

In addition a Register of Pecuniary Interests is maintained requiring disclosure of any personal interests that may be construed to or which may result in a conflict of interest in the fulfilment of duties as members and staff of HRNSW.

## Board Members



Independent Chairman, **Graeme Campbell**, has first hand knowledge of the industry as an owner of standardbreds. With more than 30 years high level business experience in accounting and finance, Mr Campbell was until recently a Director of Ferrier Hodgson.

Mr Campbell is currently a Director of Central Coast Stadium and Ainsworth Gaming Technology as well as being the principal of a specialist consulting company which he founded to provide advice to the hotel and registered club industries.



**Allan Briggs** was appointed to the Board as the nominee of the TAB Clubs and has prior Board experience as Deputy Chairman of HRNSW from 1996-1998. Mr Briggs is well credentialed in race matters, being a race analyst and former President of the Newcastle Harness Racing Club.



**Robert Corrie** from the Central West of NSW is serving his second term on the Board following renomination by the Country Clubs. Mr Corrie is a former President of the Peak Hill Harness Racing Club and previously served for five years on the Boards of HRNSW and the HRA.



**Rex Horne** is President of the New South Wales Harness Racing Club which nominated him for a position on the Board of HRNSW. Mr Horne has been the Chairman of the NSW TAB Clubs Association, is a former delegate to the Interdominion Harness Racing Council, and was formerly an Alternate Director on the previous HRNSW Board.



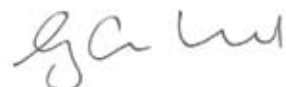
**Rob Nalder** was appointed to the Board to represent the interests of industry participants. As a former secretary of the NSW Standardbred Owners and Breeders Association and possessed with over 30 years experience as a breeder and owner, Mr Nalder combines relevant, in-depth industry experience with commercial acumen developed as a private businessman.

# Members' Report

## The Members' of Harness Racing New South Wales (HRNSW) present their report for the financial year ended 30 June 2008

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, and
  - Development and review of policy in relation to the breeding and handicapping of harness racing horses.
4. The surplus for the year amounted to \$964,731 (2007: deficit \$351,159).
5. During the year HRNSW acquired a parcel of land at Black Hill at nil cost.
6. There have been no significant changes in the state of affairs of the entity during the year apart from the acquisition of the land referred to in 5 above.
7. The entity employed ten employees as at 30 June 2008. As at the date of this report the entity had nine employees.
8. 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
9. 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.
10. Member emoluments are shown in the attached financial statements.
11. There are no likely developments which will affect the operations of the entity in subsequent years.
12. 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.
13. The lead auditor's independence declaration has been received and accepted.

Signed in accordance with a resolution of the Members at Bankstown, 23rd day of September 2008.



.....  
Graeme Campbell - Chairman



.....  
Robert Nalder - Member



# Members' Declaration

**The Members of Harness Racing New South Wales (HRNSW)  
present their declaration for the financial year ended 30 June 2008**

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 2008,
- 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 2008,
- 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 Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 1.

Signed in accordance with a resolution of the Members at Bankstown, dated 23 September 2008:



.....  
Graeme Campbell - Chairman



.....  
Robert Nalder - Member

## Lead Auditor's Independence Declaration

To the Members of Harness Racing New South Wales:

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

- no contraventions of the auditor independence requirements as set out in APES 110 "Code of Ethics for Professional Accountants" in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.



Nexia Court & Co  
Chartered Accountants

Sydney

Dated: 8 September 2008



David Gallery  
Partner

# Independent Auditors' Report to the Members of Harness Racing New South Wales

## Report on the financial report

We have audited the accompanying financial report of Harness Racing New South Wales (the 'company') which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity, and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the members' declaration, of the group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Members' responsibility for the financial report*

The members of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the members also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the group and the company, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### *Auditors' responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members, as well as evaluating the overall presentation of the financial report.

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

## Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the members of Harness Racing New South Wales on 8 September 2008, would be in the same terms if provided to the members as at the date of this auditor's report.

## Auditors' opinion on the financial report

In our opinion:

- a the financial report of Harness Racing New South Wales:
  - i gives a true and fair view of the company's and the group's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; and
  - ii complies with Australian Accounting Standards (including the Australian Accounting Interpretations).
- b the financial report of the group and company also complies with International Financial Reporting Standards as disclosed in note 2(a).



Nexia Court & Co  
Chartered Accountants

Sydney  
Dated: 25 September 2008



David Gallery  
Partner

# Income Statement

for the financial year ended 30 June 2008

	Note	2008	2007
		\$	\$
<b>REVENUE from continuing operations</b>			
Product Fee	4a	24,932,446	25,942,444
Wagering Incentive Fee	4a	5,081,269	6,268,520
Interest Earned		66,535	48,161
Grants Received - Racecourse Development Fund	4b	44,283	241,669
Grants Received - Industry Funds	4c	130,000	175,000
NSW Harness Racing Gazette	4d	122,518	220,116
Black Hill Land Contribution	4e	950,000	-
Profit on Disposal of Assets	4f	-	131,538
Sponsorship		20,000	-
Other Income		97,853	24,778
<b>Total Revenue</b>		<b>31,444,904</b>	<b>33,056,226</b>
<b>EXPENSES from continuing operations</b>			
HRNSW Distribution			
to Clubs	5a	24,011,995	26,344,566
to Industry Funds	5b	2,052,382	1,901,858
to Racecourse Development Fund	5c	586,497	635,181
Greyhound & Harness Racing Regulatory Authority	5d	2,183,748	2,200,000
Repayment re FY2006 Distribution Top-up	5e	357,000	300,000
AHRC Membership Levy	5f	-	74,068
Employee Salaries and Related Expenses	5g	654,772	615,857
Members Fees	5h	80,987	79,060
NSW Harness Racing Gazette		109,399	227,672
Postage, Printing & Stationery		58,962	77,400
Travel	5i	35,349	50,672
Consultancy & Contractors		20,000	10,993
Occupancy Costs		79,253	77,427
Equipment & Communication Costs		81,651	65,959
Other Expenses	5j	168,178	746,672
<b>Total Expenses</b>		<b>30,480,173</b>	<b>33,407,385</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>964,731</b>	<b>(351,159)</b>

The accompanying notes from part of these statements



# Balance Sheet

for the financial year ended 30 June 2008

	Note	2008 \$	2007 \$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash	6	1,168,829	67,828
Trade and other receivables	7	10,061,376	8,337,099
Other		3,991	23,158
<b>Total Current Assets</b>		<b>11,234,196</b>	<b>8,428,085</b>
NON-CURRENT ASSETS			
Property, Plant and Equipment	8	319,934	328,039
Land	9(a)	950,000	-
Other Financial Assets		-	766
<b>Total Non-Current Assets</b>		<b>1,269,934</b>	<b>328,805</b>
<b>TOTAL ASSETS</b>		<b>12,504,130</b>	<b>8,756,890</b>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	10	11,129,382	8,480,039
Income Received in Advance	11	122,662	22,101
Provision for Employee Benefits		80,284	47,679
<b>Total Current Liabilities</b>		<b>11,332,328</b>	<b>8,549,819</b>
<b>TOTAL LIABILITIES</b>		<b>11,332,328</b>	<b>8,549,819</b>
<b>NET ASSETS</b>		<b>1,171,802</b>	<b>207,071</b>
<b>EQUITY</b>			
Accumulated Surplus		1,171,802	207,071
<b>TOTAL EQUITY</b>		<b>1,171,802</b>	<b>207,071</b>

The accompanying notes from part of these statements

## Cash Flow Statement

for the financial year ended 30 June 2008

	Note	2008 \$	2007 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Participants and Government Grants		31,538,201	33,185,190
Receipts from Other Operating Income		457,247	678,941
Interest Received		66,535	48,161
Payments to Suppliers, Employees and Participants		(30,912,222)	(34,251,111)
<b>Net Cash from Operating Activities</b>	<b>14</b>	<b>1,149,761</b>	<b>(338,819)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for Property, Plant & Equipment		(48,760)	(249,226)
Receipts from Asset Sales		-	500,000
<b>Net Cash flows from Investing Activities</b>		<b>(48,760)</b>	<b>250,774</b>
<b>Net Increase (Decrease) in Cash Held</b>		<b>1,101,001</b>	<b>(88,045)</b>
<b>Cash and Cash Equivalents at the Beginning of the year</b>		<b>67,828</b>	<b>155,873</b>
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>6</b>	<b>1,168,829</b>	<b>67,828</b>

## Statement of Changes in Equity

for the year ended 30 June 2008

	2008 \$	2007 \$
<b>Total equity at the beginning of financial year</b>	207,071	558,230
Surplus/(Deficit) for the year	964,731	(351,159)
Total recognised income and expense for the year	964,731	(351,159)
<b>Total equity at the end of the financial year</b>	<b>1,171,802</b>	<b>207,071</b>

The accompanying notes from part of these statements

# Notes to the Financial Statements

for the financial year ended 30 June 2008

## 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 Fund.

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 AIFRS ensures that the financial statements and notes of HRNSW comply with International Financial Reporting Standards (IFRS). 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 over their useful lives, as follows:

Plant and equipment	10 - 20%
Telecommunications, 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.

## Notes to the Financial Statements (Continued)

### 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.

### m) New Standards and Interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the company ("entity") in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing these financial statements:

- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the entity's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the entity's Chief Executive Officer in order to assess each segment's performance and to allocate resources to them. The entity does not expect this will have any impact on the financial statements.
- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Entity's 30 June 2010 financial statement. The entity has not yet determined the potential effect of the revised standard on the Entity's disclosures.
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Entity's 30 June 2010 financial statements and will constitute a change in accounting policy for the Entity. In accordance with the transitional provisions the entity will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The entity has not yet determined the potential effect of the revised standard on future earnings.
- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss. The revised standard will become mandatory for the entity's 30 June 2010 financial statements. The entity has not yet determined the potential effect of the revised standard on the entity's financial report.

### 3. BASIS OF PREPARATION

#### (a) **Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Harness Racing Act 2002. The financial report of the fund also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Members on 23 September 2008.

#### (b) **Basis of measurement**

The financial statements have been prepared on the historical cost basis.

#### (c) **Functional and presentation currency**

These financial statements are presented in Australian dollars, which is the fund's functional currency.

#### (d) **Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.



## Notes to the Financial Statements (Continued)

### 4. REVENUE

	Note	2008 \$	2007 \$
<b>(a) Product Fee &amp; Wagering Incentive Fee</b>			
<p>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).</p>			
<b>(b) Grants Received – Racecourse Development Fund</b>			
Funding of Capital Expenditure		44,283	241,699
<p>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 income as the repayment of the advance is dependent upon sufficient improvement of the TAB distribution. In the year ended 30 June 2008 an amount of \$357,000 was repaid against this advance.</p>			
<b>(c) Grants Received – Industry Funds</b>			
Centralised Stakes Payment System		110,000	155,000
Sires Stakes Management Fee		20,000	20,000
		130,000	175,000
<b>(d) Harness Racing Gazette Income</b>			
Subscriptions		101,627	100,195
Advertising		20,891	61,558
Sponsorships & Donations		-	58,363
		122,518	220,116
<b>(e) Black Hill Land Contribution</b>			
During the year ended 30 June 2008 HRNSW acquired, by non-reciprocal transfer, a parcel of land at Black Hill for the purposes of furthering harness racing in the Hunter Region	9	950,000	-
<b>(f) Profit on Sale of Assets</b>			
During the year ended 30 June 2007 HRNSW sold its half share in a joint venture which owns harness racing administration software and operates a national harness racing website. The amount reflected in the income statement is the sale price less the carrying value of the asset		-	131,538

## Notes to the Financial Statements (Continued)

### 5. OPERATING EXPENSES

	2008	2007
	\$	\$
<b>(a) HRNSW Distribution to Clubs</b>		
NSWHRC – Harold Park	10,247,925	11,367,515
NSWHRC – Menangle Park	731,082	903,146
Bankstown	805,436	1,114,686
Bathurst	1,937,781	1,851,884
Bulli	504,700	1,033,990
Dubbo	285,995	463,655
Newcastle	2,528,643	3,478,548
Parkes	312,636	421,255
Penrith	1,466,181	2,361,584
Tamworth	529,568	734,006
Wagga Wagga	1,335,698	1,365,890
Young	429,400	481,891
Non-TAB Clubs	380,500	694,116
Industry Funds - Carnival of Cups	113,348	42,400
Washed out TAB meetings	22,500	30,000
Carried Forward	2,380,602	-
	<b>24,011,995</b>	<b>26,344,566</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	1,759,494	1,901,858
The amount distributed to Industry Funds is equal to 6% (2006: 6%) of the HRNSW share of the TAB Distribution		
Additional Carnival of Cups Levy (1%)	292,888	-
	<b>2,052,382</b>	<b>1,901,858</b>
<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	586,497	635,181
<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	2,206,259	2,080,000
Over-run of their expenditure for 2006-07. Adjustment to estimate used in FY07	(22,511)	120,000
	<b>2,183,748</b>	<b>2,200,000</b>

## Notes to the Financial Statements (Continued)

### 5. OPERATING EXPENSES (Continued)

<b>(e) Repayment of FY2006 Distribution Top-up</b>	2008	2007
	\$	\$

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 prize money levels. This advance was treated as income as the repayment of the advance is dependent upon sufficient improvement of the TAB Distribution therefore the repayments are treated as an expense.

357,000	300,000
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### **(f) AHRC Membership Levy**

NSW membership of the Australian Harness Racing Council (AHRC) is shared equally between HRNSW and GHARRA. This is now an Industry Funds Expense

-	74,068
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### **(g) Employee Salaries and Related Expenses**

Salaries	589,855	563,423
Superannuation	45,287	43,834
Workers Compensation Insurance, Payroll Tax and FBT	19,630	8,600
	<u>654,772</u>	<u>615,857</u>

### **(h) Member Fees**

The Members in office during the financial year were:

Graeme Campbell – Chairman	30,731	30,000
R Corrie	12,564	12,265
Robert Nalder	12,564	12,265
Rex Horne	12,564	12,265
Allan Briggs	12,564	12,265
	<u>80,987</u>	<u>79,060</u>

No Member of HRNSW is a full-time employee and no Member has received a salary

### **(i) Travel**

Employees	21,844	33,152
Members	13,505	17,520
	<u>35,349</u>	<u>50,672</u>

## Notes to the Financial Statements (Continued)

5. OPERATING EXPENSES (Continued)	Note	2008	2007
		\$	\$
<b>(j) Other Expenses</b>			
Advertising		1,512	770
Audit Fees		16,000	19,485
Bad and Doubtful Debts		-	4,192
Bank Charges		8,002	11,542
Computer Software Licence Fees & Processing Charges		-	100,253
Depreciation		56,867	32,935
Legal Fees		800	9,650
Media & Communications		960	-
Office Amenities		3,368	2,614
Professional Indemnity Insurance		9,117	9,068
Subscriptions		809	387
Training		-	3,450
Benevolent Fund Expenses		48,636	29,765
Distribution of RISE Sale Proceeds		-	500,000
Sundry Expenses		22,107	22,561
		<u>168,178</u>	<u>746,672</u>
6. CASH			
Cash at bank		1,168,629	67,628
Cash on hand		200	200
		<u>1,168,829</u>	<u>67,828</u>

The entity has an overdraft limit of \$250,000 at the bank (2007 Nil) – unused at year end.

## 7. RECEIVABLES

Trade Debtors		2,702,274	1,112,760
Less: Provision for Doubtful Debts		(39,719)	(40,000)
NSW Racing Pty Limited (TAB Distribution)		7,394,080	7,219,321
Benevolent Fund		-	39,058
Other Debtors		4,741	5,960
		<u>10,061,376</u>	<u>8,337,099</u>

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

## Notes to the Financial Statements (Continued)

8. PROPERTY, PLANT & EQUIPMENT	2008	2007
	\$	\$
<b>Plant &amp; Equipment – At Cost</b>		
Balance at the Beginning of the Year	394,807	152,645
Additions	48,762	249,226
Disposals	(14,290)	(7,064)
Balance at the End of the Year	<u>429,279</u>	<u>394,807</u>
<b>Accumulated Depreciation</b>		
Balance at the Beginning of the Year	66,768	40,236
Depreciation Expense	56,867	32,935
Disposals	(14,290)	(6,403)
Balance at the End of the Year	<u>109,345</u>	<u>66,768</u>
Written Down Value at the End of the Year	<u>319,934</u>	<u>328,039</u>

### 9(a). LAND

During the year ended 30 June 2008 HRNSW acquired ownership of a parcel of land located at 167 Lenaghans Drive, Black Hill NSW at no significant reciprocal cost to HRNSW. The asset has been brought into account at the value determined by an independent valuer of \$950,000. The asset is subject to a Memorandum of Understanding to ensure that any commercial benefit arising from any possible future sale will be restricted to use in the Hunter.

### 9(b). RISE INVESTMENT

During the year ended 30 June 2006 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](http://www.harness.org.au) at no significant reciprocal cost to HRNSW. The asset was subsequently sold during the year ended 30 June 2007

Balance at the Beginning of the Year	-	368,462
Acquired during the year	-	-
Less: Write down of carrying value since acquisition	-	-
Disposed during the year	-	(368,462)
Written Down Value at the End of the Year	-	-

## 10. PAYABLES

Australian Taxation Office	295,186	167,488
Prizemoney Payments	1,046,442	780,209
HRNSW Distribution	7,622,236	6,701,467
Other Creditors	2,165,518	830,875
	<u>11,129,382</u>	<u>8,480,039</u>



## Notes to the Financial Statements (Continued)

11. INCOME RECEIVED IN ADVANCE	2008	2007
	\$	\$
NSW Harness Racing Gazette Subscriptions	35,248	22,101
Compulsory Insurance Subscriptions	87,414	-
	<u>122,662</u>	<u>22,101</u>
12. BENEVOLENT FUND		
Interest Earned	10,022	13,070
Less Administration Expenses	(6,000)	(6,000)
Less Disbursements Made	(27,255)	(23,765)
Operating (Deficiency) Surplus	<u>(23,233)</u>	<u>(16,695)</u>
Accumulated Surplus – brought forward	174,852	191,547
Accumulated Surplus – carried forward	<u>151,619</u>	<u>174,852</u>
Represented by:		
Cash	5,658	6,300
Other Financial Assets		
Investments	144,521	144,530
Other Financial Assets (Continued)		
Loans Receivables (Current)	-	38,488
Loans Receivables (Non-Current)	-	766
Transferable Funeral Certificates	1,440	1,440
Other Debtors	-	570
Liabilities – Current Liabilities – Payables	-	(17,242)
Net Assets	<u>151,619</u>	<u>174,852</u>

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

## 13. FINANCIAL RISK MANAGEMENT

### Overview

The Entity has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Interest rate risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Entity's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

## Notes to the Financial Statements (Continued)

### 13. FINANCIAL RISK MANAGEMENT (Continued)

Risk management policies are established to identify and analyse the risks faced by the entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Entity's activities. The Entity through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### (A) Credit risk

Credit risk is the risk of financial loss to the entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the entity's receivables from customers. For the entity it arises from receivables due from NSW Racing Pty Ltd.

#### Trade and other receivables

The entity's exposure to credit risk is influenced mainly by the nature of the entity and the parameters associated with its funding. The entity's principal income is derived from distributions from NSW Racing Pty Ltd which distributes a certain percentage of its income based on wagering turnover and Wagering Incentive Fees. The details are outlined in the Inter Code Deed. Consequently most of the entity's revenue is attributable to transactions with a single customer. Given the nature of that customer and where it derives its income the Board is comfortable with the entity's credit exposure.

#### Deposits

The entity may also have a credit exposure to entities in which it invests funds from time to time.

The Board minimises this risk by only investing in highly rated financial institutions.

The carrying amount of the entity's financial assets represents the maximum credit exposure. The entity's maximum exposure to credit risk at the reporting date was:

#### Exposure to Credit Risk

	2008	2007
	\$	\$
Cash and Cash Equivalents	1,168,829	67,828
Trade and Other Receivables	10,061,376	8,337,099
	<u>11,230,205</u>	<u>8,404,927</u>

The entity's maximum exposure to credit risk for Trade and Other Receivables at the reporting date was:

	2008	2007
	\$	\$
NSW Racing Pty Ltd	7,394,080	7,219,321
Other	2,667,296	1,117,778
	<u>10,061,376</u>	<u>8,337,099</u>
Not Past Due	7,394,080	7,219,321
Past Due – 0 – 30 days	2,522,334	1,117,778
Past Due – 31 – 120 Days	5,908	-
Past Due – 121 – 365 Days	139,054	-
	<u>10,061,376</u>	<u>8,337,099</u>

The entity's maximum exposure to credit risk for Loans Receivable at the reporting date was nil.

## Notes to the Financial Statements (Continued)

### 13. FINANCIAL RISK MANAGEMENT (Continued)

#### (B) Interest Rate Risk

The entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows;

Entity	Weighted Average Range		Floating		Non-Interest		Total	
	Effective Interest Rate		Interest Rate		Bearing			
	2008	2007	2008	2007	2008	2007	2008	2007
Financial Assets								
Cash	5% - 7.2%	5% - 6.2%	1,168,829	67,828	-	-	1,168,829	67,828
Receivables					10,061,376	8,337,099	10,061,376	8,337,099
Total Financial Assets			1,168,829	67,828	10,061,376	8,337,099	11,230,205	8,404,927
Financial Liabilities								
Trade and other payables	-	-	-	-	11,129,382	8,480,039	11,129,382	8,480,039
Total financial liabilities	0	0	0	0	11,129,382	8,480,039	11,129,382	8,480,039

#### Sensitivities to Interest Rate risk

If interest rates had risen or decreased by 100 basis points the entity's results for the year to 30 June 2008 would have increased / (decreased) by approximately \$12,360.

If interest rates had risen or decreased by 100 basis points the entity's results for the year to 30 June 2007 would have increased / (decreased) by approximately \$2,200.

#### (C) Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due. The entity's approach to managing liquidity is to ensure, as far as possible, that it will always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the entity's reputation.

Typically the entity ensures that it has sufficient cash on demand to meet expected obligations for periods between 30 to 60 days.

	Less Than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years	Total
<b>At 30 June 2008</b>					
Trade & Other payables	11,129,382	-	-	-	11,129,382
<b>At 30 June 2007</b>					
Trade & Other payables	8,480,039	-	-	-	8,480,039

#### (D) Market risk

Market risk is the risk that changes in the gambling market will affect the entity's income.

The risk to the entity is that allocations to HR NSW from either NSW Racing Pty Ltd or TAB Limited decrease due to lower turnover in the harness racing industry.

#### Currency risk

The entity has no exposure to currency risk as all transactions are in Australian dollars.

#### Interest rate risk

The entity adopts a policy of ensuring that its exposure to changes in interest rates is minimised by investing in products generally with short maturity profiles.

## Notes to the Financial Statements (Continued)

### 13. FINANCIAL RISK MANAGEMENT (Continued)

#### Capital management

The Board's policy is to maintain a strong Accumulated Surplus to ensure that the entity is able to meet any commitments which will sustain the future development of the industry. The Board of Directors monitors the surplus on a regular basis and allocates funds when circumstances are appropriate.

The entity is not subject to externally imposed capital requirements.

#### (E) Fair Values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2008	2007
	\$	\$
<b>Carrying Amount</b>		
Cash and Cash equivalents	1,168,829	67,828
Trade and other receivables	10,061,376	8,337,099
Trade and other payables	(11,129,382)	(8,480,039)
	<b>100,823</b>	<b>(75,112)</b>
<b>Fair value</b>		
Cash and Cash equivalents	1,168,829	67,828
Trade and other receivables	10,061,376	8,337,099
Trade and other payables	(11,129,382)	(8,480,039)
	<b>100,823</b>	<b>(75,112)</b>

#### (F) Accounting policies and methods adopted

The accounting policies and methods adopted in relation to each material class of financial asset and liability are disclosed in Note 1.

### 14. NOTES TO THE CASH FLOW STATEMENT

	2008	2007
	\$	\$
<b>Reconciliation of Net Cash from Operating Activities to Surplus/(Deficit) for the Year</b>		
Surplus/(Deficit) for the Year	964,731	(351,159)
Depreciation and Amortisation	56,867	32,935
Less Profit on Disposal of Assets	-	(130,877)
Less Profit on Land Acquisition	(950,000)	-
Change in Assets and Liabilities		
Change in Receivables	(1,724,277)	655,505
Change in Prepayments and Other Assets	19,933	(3,081)
Change in Creditors	2,649,343	(555,919)
Change in Income Received in Advance	100,561	(6,243)
Change in Employee Benefits	32,603	20,020
Net Cash from Operating Activities	<b>1,149,761</b>	<b>(338,819)</b>

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 2008

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 2008,
- (b) the accompanying statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the entity as at 30 June 2008,
- (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 Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 1.

Signed in accordance with a resolution of the Members at Bankstown, this 23rd day of September 2008.



.....  
Graeme Campbell – Chairman



.....  
Robert Nalder - Member



# Independent Auditors' Report Harness Racing Industry Funds

## Report on the financial report

We have audited the accompanying financial report of Harness Racing Industry Funds (the 'entity') which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity, and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the members' declaration of the entity.

### Members' responsibility for the financial report

The Members of HRNSW are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the members also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the entity, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members, as well as evaluating the overall presentation of the financial report.

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

## Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the members of HRNSW on 8 September 2008, would be in the same terms if provided to the members as at the date of this auditor's report.

## Auditors' opinion on the financial report

In our opinion:

- a the financial report of Harness Racing Industry Funds:
  - i gives a true and fair view of the entity's financial position as at 30 June 2008 and of its performance for the financial year ended on that date; and
  - ii complies with Australian Accounting Standards (including the Australian Accounting Interpretations).
- b the financial report of the entity also complies with International Financial Reporting Standards as disclosed in note 2(a).

*Nexia Court & Co.*

Nexia Court & Co  
Chartered Accountants

*David Gallery*

David Gallery  
Partner

Sydney  
Dated: 25 September 2008

## HARNESS RACING INDUSTRY FUNDS

### Income Statement

for the financial year ending 30 June 2008

	Note	2008 \$	2007 \$
<b>REVENUE from continuing operations</b>			
HRNSW Distribution	3a	2,052,382	1,905,551
Foal and Sire Registration Fee		196,853	122,142
Interest Earned		55,300	63,931
RISE Proceeds	3b	-	200,000
Other income		113,348	-
		<u>2,417,883</u>	<u>2,291,624</u>
<b>EXPENSES of continuing operations</b>			
Prize money Subsidies	4a	495,199	681,796
Breeders' Bonus Incentive Certificates	1e	167,557	745,773
Grants and Other Subsidies	4b	1,183,661	465,481
Carnival of Cups		66,854	257,066
Management Fee / Bank Charges	4c	132,069	24,570
		<u>2,045,340</u>	<u>2,174,686</u>
<b>Surplus for the Year</b>		<u>372,543</u>	<u>116,938</u>

### Statement of Changes in Equity

for the year ended 30 June 2008

	2008 \$	2007 \$
Total Equity at the beginning of financial year	237,905	120,967
Surplus for the year	<u>372,543</u>	<u>116,938</u>
Total recognised income and expense for the year	372,543	116,938
<b>Total Equity at the end of the financial year</b>	<u><b>610,448</b></u>	<u><b>237,905</b></u>

The accompanying notes form part of these statements

HARNESS RACING INDUSTRY FUNDS

## Balance Sheet

for the financial year ended 30 June 2008

	Note	2008 \$	2007 \$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and Cash Equivalents	8	1,088,577	620,922
Receivables	5	1,826,943	934,769
<b>Total Current Assets</b>		<b>2,915,520</b>	<b>1,555,691</b>
<b>TOTAL ASSETS</b>		<b>2,915,520</b>	<b>1,555,691</b>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Income received in advance	6	266,238	98,091
Payables		489,571	150,394
Provision for unredeemed Breeders Bonus Incentive Certificates	7	457,241	599,413
<b>Total Current Liabilities</b>		<b>1,213,050</b>	<b>847,898</b>
<b>NON-CURRENT LIABILITIES</b>			
Income received in advance	6	1,092,022	469,888
<b>Total Non-Current Liabilities</b>		<b>1,092,022</b>	<b>469,888</b>
<b>TOTAL LIABILITIES</b>		<b>2,305,072</b>	<b>1,317,786</b>
<b>NET ASSETS</b>		<b>610,448</b>	<b>237,905</b>
<b>EQUITY</b>			
Accumulated Surplus		610,448	237,905
<b>TOTAL EQUITY</b>		<b>610,448</b>	<b>237,905</b>

The accompanying notes form part of these statements

## HARNESS RACING INDUSTRY FUNDS

# Cash Flow Statement

for the financial year ended 30 June 2008

	Note	2008	2007
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Receipts from Participants and Others		2,692,396	2,536,369
Interest on Investments and Bank Account		59,412	64,127
Payments Made to Suppliers and Participants		(1,984,523)	(2,292,091)
Expenditure relating to EI		(299,630)	-
<b>Net cash from operating activities</b>	<b>8(b)</b>	<b>467,655</b>	<b>308,405</b>
<b>Net Increase in Cash held</b>			
		<b>467,655</b>	<b>308,405</b>
Cash and Cash Equivalents at the Beginning of the Year		620,922	312,517
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>8(a)</b>	<b>1,088,577</b>	<b>620,922</b>

The accompanying notes form part of these statements

## Notes to the Financial Statements

for the financial year ended 30 June 2008

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 income 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 accounts and therefore are not included in the HRNSW financial statements.
  - (b) **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). 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.
  - (c) **Revision of Accounting Estimates**  
Revisions of accounting estimates are recognised prospectively in current and future periods only.
  - (d) **Cash and Cash Equivalents**  
Cash and cash equivalents consist of cash on hand, deposits held at call, 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.
  - (e) **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.
  - (f) **Sires' Stakes and Breeders' Challenge 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 and the Breeders' Challenge Series when those foals reach series' competition age. The fees received are treated as Income received in advance (Note 6) and transferred to income in the years of competition.
  - (g) **Income Tax**  
Industry Funds has been recognised by the Australian Taxation Office as a not-for-profit entity and is not subject to income tax.
  - (h) **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.
  - (i) **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.



(j) **New Standards and Interpretations not yet adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the Fund in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing these financial statements:

. AASB 8 Operating Segments introduces the “management approach” to segment reporting. AASB 8, which becomes mandatory for the entity’s 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the entity’s Chief Executive Officer in order to assess each segment’s performance and to allocate resources to them. The Fund does not expect this will have any impact on the financial statements.

. Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly “primary” statement) the “statement of comprehensive income”. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Fund’s 30 June 2010 financial statements. The Fund has not yet determined the potential effect of the revised standard on the Fund’s disclosures.

. Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an Fund capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Fund’s 30 June 2010 financial statements and will constitute a change in accounting policy for the Fund. In accordance with the transitional provisions the entity will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Fund has not yet determined the potential effect of the revised standard on future earnings.

2. BASIS OF PREPARATION

(a) **Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (‘AASBs’) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (‘AASB’) and the Harness Racing Act 2002. The financial report of the Fund also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of HRNSW on 23 September 2008.

(b) **Basis of measurement**

The financial statements have been prepared on the historical cost basis.

(c) **Functional and presentation currency**

These financial statements are presented in Australian dollars, which is the Fund’s functional currency.

(d) **Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. REVENUE

(a) **HRNSW Distribution**

Funds totalling 6% (2007: 6%) of the HRNSW share of the TAB Distribution were provided by HRNSW.

(b) **RISE Proceeds**

During Fiscal Year 2007 HRNSW disposed of its share in the RISE Joint Venture with Harness Racing Victoria. Consequently, the Board of HRNSW resolved to distribute to Industry Funds the sum of \$200,000 from the sale proceeds of the joint venture.

## Notes to the Financial Statements (Continued)

### 4. EXPENSES

#### (a) Prize Money Subsidies

	2008	2007
	\$	\$
Bathurst Gold Crown	-	40,000
Trotters Foundation Series	8,000	40,000
Nursery Stakes	(3,000)	-
Sire Stakes Series (excluding rugs and trophies)	485,654	586,796
Leeton Breeders Plate	4,545	15,000
	<u>495,199</u>	<u>681,796</u>

#### (b) Grants & Other Subsidies

	2008	2007
	\$	\$
Centralised Stakes Payment System	-	155,000
Harness Racing Awards	14,527	40,119
Marketing & Media	66,543	33,520
NSW Mini-Trotting Association	12,000	11,927
Broken Hill Harness Racing Club	-	40,000
Fairfield Training Facility	25,000	25,000
Fairfield Insurance	14,424	-
Maitland Training Facility	50,000	50,000
Sires Stakes Rugs & Trophies	19,469	27,521
Marker Pegs	(25,304)	27,047
Breeding Scheme Changes	14,215	33,357
NSW Rising Stars Series	-	8,140
SBBS Certificate Printing	-	4,965
NSW Junior Driver Award	-	4,545
Miscellaneous	8,389	4,340
Training	15,342	-
Racing Support	33,084	-
Sky Media Enhancement Strategy	5,500	-
Mini Trots Safety Vests	21,999	-
Race Field Legislation	20,000	-
Canberra HRC – Share Video Costs	17,618	-
Tax Advice	7,500	-
RISE	101,495	-
AHRC Levy	114,906	-
Inter Dominion 08 Marketing contribution	70,455	-
Vaccinations/ Micro Chipping	354,923	-
Bathurst/Wagga Funding	221,576	-
	<u>1,183,661</u>	<u>465,481</u>

#### (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, the Breeders' Challenge Series and State Bred Bonus Scheme. Other expenses incurred were bank charges \$69 (2007:\$69) and audit fees \$2,000 (2007: \$4,500).

## Notes to the Financial Statements (Continued)

### 5. RECEIVABLES

	2008	2007
	\$	\$
HRNSW Distribution	1,785,360	891,568
Financial Institutions	41,583	369
Other	-	42,832
	<u>1,826,943</u>	<u>934,769</u>

### 6. INCOME RECEIVED IN ADVANCE

Retained from foal and sire registration fees received in advance.

Current Liabilities	266,238	98,091
Non-Current Liabilities	<u>1,092,022</u>	<u>469,888</u>
	1,358,260	567,979

### 7. PROVISION FOR UNREDEEMED BREEDERS' BONUS INCENTIVE CERTIFICATES

A NSW State Bred Incentive Scheme awards certificates with a face value of \$2,000 or \$500 each which can be redeemed within two years for face value when used in the purchase of a state-bred foal or payment of a NSW sire service. Certificates issued after 1 October 2006 may be redeemed for cash within three months of the issue date at a discounted rate of 50%. Each certificate is recognised as an expense of \$2,000 at the date of issue.

### 8. NOTES TO THE CASH FLOW STATEMENT

#### (a) Reconciliation of cash and cash equivalents

	2008	2007
	\$	\$
Cash at bank and on deposit	1,088,577	620,922

#### (b) Reconciliation of Net Cash from Operating Activities to Surplus/(Deficiency) for the Year:

	2008	2007
	\$	\$
Surplus / (Deficiency) for the year	372,543	116,938
Changes in operating assets and liabilities:		
Change in receivables	(892,174)	(2,200)
Change in payables	339,177	(27,645)
Change in unredeemed bonus incentive certificates	(142,172)	(90,130)
Change in income received in advance	790,281	311,442
Net cash from operating activities	<u>467,655</u>	<u>308,405</u>

### 9. FINANCIAL RISK MANAGEMENT

#### Overview

The Fund has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Interest rate risk;
- Liquidity risk; and
- Market risk.

## Notes to the Financial Statements (Continued)

### 9. FINANCIAL RISK MANAGEMENT (Continued)

This note presents information about the Fund's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities. The Fund through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### (A) Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's receivables from customers. For the Fund it arises from receivables due from race clubs.

#### Trade and other receivables

The Fund's exposure to credit risk is influenced mainly by the nature of the fund and the parameters associated with its funding. The Fund's principal income is derived from distributions from Horse Racing NSW which is obligated to distribute a certain percentage of its distributions from NSW Racing Pty Ltd or the NSW TAB. The details are outlined in the NSW Harness Racing Intra Code Agreement. Consequently, most of the Fund's revenue is attributable to transactions with a single customer which is highly dependent on two other customers. Given the nature of that customer and where it derives its income the Board is comfortable with the Fund's credit exposure.

#### Deposits

The Fund may also have a credit exposure to entities in which it invests funds from time to time.

The Board minimises this risk by only investing in highly rated financial institutions.

The carrying amount of the Fund's financial assets represents the maximum credit exposure. The Fund's maximum exposure to credit risk at the reporting date was:

#### Exposure to Credit Risk

	2008	2007
	\$	\$
Cash and Cash Equivalents	1,088,577	620,922
Trade and Other Receivables	1,826,943	934,769
	<u>2,915,520</u>	<u>1,555,691</u>

## Notes to the Financial Statements (Continued)

### 9.FINANCIAL RISK MANAGEMENT (Continued)

The Fund's maximum exposure to credit risk for Trade and Other Receivables at the reporting date was:

	2008	2007
	\$	\$
HRNSW	1,785,360	891,568
Financial Institutions	41,583	369
Other	-	42,832
	<u>1,826,943</u>	<u>934,769</u>
Not Past Due	1,781,864	934,769
Past Due – 0 – 30 days	45,079	-
Past Due – 31 – 120 Days	-	-
Past Due – 121 – 365 Days	-	-
Due more than one year	-	-
	<u>1,826,943</u>	<u>934,769</u>

The Fund's had no exposure to credit risk for Loans Receivable at the reporting date.

### (B) Interest Rate Risk

The Fund's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows;

Entity	Weighted Average Range		Floating		Non-Interest		Total	
	Effective Interest Rate		Interest Rate		Bearing			
	2008	2007	2008	2007	2008	2007	2008	2007
Financial Assets								
Cash	5% - 7.2%	5% - 6.2%	1,088,577	620,922	-	-	1,088,577	620,922
Receivables					1,826,943	934,769	1,826,943	943,769
Total Financial Assets			<u>1,088,577</u>	<u>620,922</u>	<u>1,826,943</u>	<u>934,769</u>	<u>2,915,520</u>	<u>1,555,691</u>
Financial Liabilities								
Trade and other payables	-	-	-	-	489,571	150,394	489,571	150,394
Total financial liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>489,571</u>	<u>150,394</u>	<u>489,571</u>	<u>150,394</u>

### Sensitivities to Interest Rate risk

If interest rates had risen or decreased by 100 basis points the Fund's results for the year to 30 June 2008 would have increased / (decreased) by approximately \$19,200.

If interest rates had risen or decreased by 100 basis points the Fund's results for the year to 30 June 2007 would have increased / (decreased) by approximately \$21,500.

### (C) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.



## Notes to the Financial Statements (Continued)

### 9. FINANCIAL RISK MANAGEMENT (Continued)

Typically the Fund ensures that it has sufficient cash on demand to meet expected obligations for periods between 30 to 60 days.

	Less Than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years	Total
<b>At 30 June 2008</b>					
Trade & Other payables	489,571	-	-	-	489,571
<b>At 30 June 2007</b>					
Trade & Other payables	150,394	-	-	-	150,394

#### (D) Market risk

Market risk is the risk that changes in the gambling market will affect the Fund's income. The risk to the Fund is that allocations to HR NSW from either NSW Racing Pty Ltd or TAB Limited decrease due to lower turnover in the harness racing industry.

#### Currency risk

The Fund has no exposure to currency risk as all transactions are in Australian dollars.

#### Interest rate risk

The Fund adopts a policy of ensuring that its exposure to changes in interest rates is minimised by investing in products generally with short maturity profiles.

#### Capital management

The Board's policy is to maintain a strong Accumulated Surplus to ensure that the Fund is able to meet any commitments which will sustain the future development of the industry. The Board of Directors monitors the surplus on a regular basis and allocates funds to clubs when circumstances are appropriate.

The Fund is not subject to externally imposed capital requirements.

#### (E) Fair Values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2008	2007
	\$	\$
<b>Carrying Amount</b>		
Cash and Cash equivalents	1,088,577	620,922
Trade and other receivables	1,826,943	934,769
Trade and other payables	(489,571)	(150,394)
	<b>2,425,949</b>	<b>1,405,297</b>
<b>Fair value</b>		
Cash and Cash equivalents	1,088,577	620,922
Trade and other receivables	1,826,943	934,769
Trade and other payables	(489,571)	(150,394)
	<b>2,425,949</b>	<b>1,405,297</b>

### 9. FINANCIAL RISK MANAGEMENT

#### (F) Accounting policies and methods adopted

The accounting policies and methods adopted in relation to each material class of financial asset and liability are disclosed in Note 1.

**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 2008.

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 2008,
- (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 2008,
- (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 Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 1.

Signed in accordance with a resolution of the Members at Bankstown, this 23rd day of September 2008.



.....  
Graeme Campbell - Chairman



.....  
Robert Nalder - Member

# Independent Auditors' Report

## Harness Racing Racecourse Development Fund

### Report on the financial report

We have audited the accompanying financial report of Harness Racing Racecourse Development Fund (the 'entity') which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity, and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the members' declaration of the entity.

#### *HRNSW Members' responsibility for the financial report*

The members of HRNSW are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the members also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the entity, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditors' responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members, as well as evaluating the overall presentation of the financial report.

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

### Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the Members of Harness Racing New South Wales on 8 September 2008, would be in the same terms if provided to the Members as at the date of this auditor's report.

### Auditors' opinion on the financial report

In our opinion:

- a the financial report of Harness Racing Racecourse Development Fund:
  - i gives a true and fair view of the entity's financial position as at 30 June 2008 and of its performance for the financial year ended on that date; and
  - ii complies with Australian Accounting Standards (including the Australian Accounting Interpretations).
- b the financial report of the entity also complies with International Financial Reporting Standards as disclosed in note 2(a).



Nexia Court & Co  
Chartered Accountants



David Gallery  
Partner

Sydney  
Dated: 25th September 2008

## Income Statement

for the financial year ended 30 June 2008

	Note	2008 \$	2007 \$
REVENUE from continuing operations			
HRNSW Distribution	3	586,498	635,184
Interest Earned		162,362	159,959
Other Income	3	357,000	601,264
		<b>1,105,860</b>	<b>1,396,407</b>
EXPENSES from continuing operations			
Administration Expenses		77,121	2,070
Grants Made	4	767,119	734,405
		<b>844,240</b>	<b>736,475</b>
Surplus for the year		<b>261,620</b>	<b>659,932</b>

## Statement of Changes in Equity

for the year ended 30 June 2008

	2008 \$	2007 \$
Total Equity at the beginning of financial year	3,160,204	2,500,272
Surplus for the year	261,620	659,932
Total recognised income and expense for the year	261,620	659,932
<b>Total Equity at the end of the financial year</b>	<b>3,421,824</b>	<b>3,160,204</b>

The accompanying notes form part of these statements

## Balance Sheet

for the financial year ended 30 June 2008

	Note	2008	2007
		\$	\$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and Cash Equivalents		465,570	63,177
Deposits		1,151,989	2,450,918
Loans Receivables	5	231,520	214,793
Other Receivables	6	205,163	583,435
<b>Total Current Assets</b>		<b>2,054,242</b>	<b>3,312,323</b>
NON-CURRENT ASSETS			
Loan Receivable	5	1,910,207	192,718
<b>Total Non-Current Asset</b>		<b>1,910,207</b>	<b>192,718</b>
<b>TOTAL ASSETS</b>		<b>3,964,449</b>	<b>3,505,041</b>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Payables		542,625	344,837
<b>Total Current Liabilities</b>		<b>542,625</b>	<b>344,837</b>
<b>NET ASSETS</b>		<b>3,421,824</b>	<b>3,160,204</b>
<b>EQUITY</b>			
Accumulated Surplus		3,421,824	3,160,204
<b>TOTAL EQUITY</b>		<b>3,421,824</b>	<b>3,160,204</b>

The accompanying notes form part of these statements

## Cash Flow Statement

for the financial year ended 30 June 2008

	Note	2008 \$	2007 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from participants and others		1,453,945	1,280,987
Interest on investments and bank account		162,362	153,055
Payments made to suppliers and participants		(778,628)	(739,638)
<b>Net Cash From Operating Activities</b>	<b>9a</b>	<b>837,679</b>	<b>694,404</b>
<b>CASH FLOWS FROM LENDING ACTIVITIES</b>			
Loans repaid – receipts		15,784	44,458
Loans made (payments)		(1,750,000)	-
<b>Net Cash From Lending Activities</b>		<b>(1,734,216)</b>	<b>44,458</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from/(payments for) investments		1,298,928	(1,416,704)
<b>Net Cash From Investing Activities</b>		<b>1,298,928</b>	<b>(1,416,704)</b>
<b>Net Increase/(Decrease) in Cash Held</b>		<b>402,393</b>	<b>(677,842)</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>		<b>63,177</b>	<b>741,019</b>
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>9b</b>	<b>465,570</b>	<b>63,177</b>

The accompanying notes form part of these statements



## Notes to the Financial Statements

for the financial year ended 30 June 2008

### 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 Fund, and, except where there is a change in accounting policy, are consistent with those of the previous year.

#### 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) 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 Racecourse Development Fund comply with International Financial Reporting Standards (IFRS). 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.

#### c) Revision of Accounting Estimates

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

#### d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits held at call, 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.

#### 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:

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

The RDF also provided financial assistance by means of repayable loans (see Note 5) 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.

#### g) Income Tax

The Racecourse Development Fund has been recognised by the Australian Taxation Office as a not-for-profit entity and is not subject to income tax.

#### h) 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.

**i) 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.

**j) New Standards and Interpretations not yet adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the fund in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing these financial statements:

- . AASB 8 Operating Segments introduces the “management approach” to segment reporting. AASB 8, which becomes mandatory for the Fund's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the entity's Chief Executive Officer in order to assess each segment's performance and to allocate resources to them. The Fund does not expect this will have any impact on the financial statements.
- . Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly “primary” statement) the “statement of comprehensive income”. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the entity's 30 June 2010 financial statement. The Fund has not yet determined the potential effect of the revised standard on the Fund's disclosures.
- . Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Fund's 30 June 2010 financial statements and will constitute a change in accounting policy for the Fund. In accordance with the transitional provisions the Fund will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Fund has not yet determined the potential effect of the revised standard on future earnings.

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Harness Racing Act 2002. The financial report of the Fund also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of HRNSW on 23 September 2008.

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis.

**(c) Functional and presentation currency**

These financial statements are presented in Australian dollars, which is the Fund's functional currency.

**(d) Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

## Notes to the Financial Statements (Continued)

### 3. OPERATING INCOME

#### (a) HRNSW Distribution

Funds totalling 2% (2007 2%) of the TAB Distribution were provided by HRNSW.

#### (b) RISE Proceeds

During Fiscal Year 2007 HRNSW disposed of its share in the RISE Joint Venture with Harness Racing Victoria. Consequently, the Board of HRNSW resolved to distribute to the Racecourse Development Fund the sum of \$300,000 from the sale proceeds of the joint venture.

	Note	2008 \$	2007 \$
<b>(c) Other Income</b>			
Recovery of contingent liability for HRNSW	8	357,000	300,000
Proceeds from RISE	3 (b)	-	300,000
Repayment of GHRRA of 2006 surplus		-	1,264
		<u>357,000</u>	<u>601,264</u>

### 4. EXPENSES

	2008 \$	2007 \$
<b>Grants Made</b>		
Grants	767,119	734,405

### 5. LOANS RECEIVABLE

	2008 \$	2007 \$
Balance at the Beginning of the Year	407,511	451,969
Loans Made During the Year	1,755,607	-
Loans Converted to Grants	-	-
Loans Repaid During the Year	(21,391)	(44,458)
Balance at the End of the Year	<u>2,141,727</u>	<u>407,511</u>
Of which:		
Balance Owing Due Within One Year	231,520	214,793
Balance Owing Due Longer than One Year	1,910,207	192,718
	<u>2,141,727</u>	<u>407,511</u>

## Notes to the Financial Statements (Continued)

### 6. OTHER RECEIVABLES

	Note	2008	2007
		\$	\$
HRNSW Distribution		170,805	153,104
Interest Accrued on Bank and Investments		12,044	7,092
Other		22,314	423,239
		<u>205,163</u>	<u>583,435</u>

### 7. CONTINGENT LIABILITIES & COMMITMENTS FOR EXPENDITURE

The RDF is not aware of any claims, commitments or other contingent liabilities.

### 8. 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 2008 amount to:

	Note	2008	2007
		\$	\$
Carried Forward from previous year		49,865,167	49,865,167
IFIL made between 1 July 2007 and 30 June 2008		-	-
		<u>49,865,167</u>	<u>49,865,167</u>

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. During the year ended 30 June 2008, \$357,000 of this contingent asset was repaid by Harness Racing NSW.

### 9. NOTES TO THE CASH FLOW STATEMENT

	2008	2007
	\$	\$
<b>a. Reconciliation of Net Cash from Operating Activities to Operating Surplus</b>		
Surplus for the year	261,620	659,932
Changes in Assets and Liabilities		
Change in Receivables	378,271	(36,250)
Change in Payables	197,788	70,722
Net Cash from Operating Activities	<u>837,679</u>	<u>694,404</u>
<b>b. Cash and Cash Equivalents includes the following:</b>		
Cash at Bank and on Deposit	<u>465,570</u>	<u>63,177</u>

## Notes to the Financial Statements (Continued)

### 10. FINANCIAL ASSISTANCE PAYMENTS & COMMITMENTS OUTSTANDING

Club	Project	Commitment B/Forward from 30/6/2007	Funding approved 2007/08	Payments Made 2007/08	Commitment Remaining 30/6/2008
		\$	\$	\$	\$
Maitland	Water Tanker		6,342	6,342	-
Parkes	Water Tanker		12,000	12,000	-
Young	Judges Tower		845	845	-
Albury	Judges Tower		1,655	1,655	-
Newcastle	Water Truck		26,818	26,818	-
Eugowra	Judges Tower		3,363	3,363	-
Penrith	Power switchboard		18,636	-	18,636
Tamworth	Mobile Semaphore Board		19,727	-	19,727
Tamworth	Heavy Equipment		1,091	1,091	-
Bathurst	Track Conditioner		20,000	20,000	-
Penrith	Track Conditioner		20,000	20,000	-
Penrith	Grader		20,000	20,000	-
Tamworth	Grader		20,000	20,000	-
Wagga	Grader		20,000	20,000	-
Dubbo	Grader		20,000	20,000	-
			210,477	172,114	38,363

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

Projects	Interest free Interminable Loans		-	-	-
	Grants		-	-	-

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

Projects	Interest free Interminable Loans		-	-	-
	Grants		210,477	172,114	38,363

#### Assistance all projects

			210,477	172,114	38,363
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## Notes to the Financial Statements (Continued)

### 11. FINANCIAL RISK MANAGEMENT

#### Overview

The Fund has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Interest rate risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Fund's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities. The Fund through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### (A) Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's receivables from customers. For the Fund it arises from receivables due from race clubs.

#### Trade and other receivables

The Fund's exposure to credit risk is influenced mainly by the nature of the fund and the parameters associated with its funding. The Fund's principal income is derived from distributions from Horse Racing NSW which is obligated to distribute a certain percentage of its distributions from NSW racing Pty Ltd or the NSW TAB. The details are outlined in the NSW Harness Racing Intra Code Agreement. Consequently most of the Fund's revenue is attributable to transactions with a single customer which is highly dependent on two other customers. Given the nature of that customer and where it derives its income the Board is comfortable with the Fund's credit exposure.

#### Deposits

The Fund may also have a credit exposure to entities in which it invests funds from time to time.

The Board minimises this risk by only investing in highly rated financial institutions.

The carrying amount of the Fund's financial assets represents the maximum credit exposure. The Fund's maximum exposure to credit risk at the reporting date was:

#### Exposure to Credit Risk

	2008	2007
	\$	\$
Cash and Cash Equivalents	465,570	63,177
Trade and Other Receivables	205,163	583,435
Loans Receivables	2,141,727	407,511
Deposits	1,151,989	2,450,918
	<u>3,964,449</u>	<u>3,505,041</u>

## Notes to the Financial Statements (Continued)

The Fund's maximum exposure to credit risk for Trade and Other Receivables at the reporting date was:

	2008	2007
	\$	\$
HRNSW	170,805	430,255
Financial Institutions	12,044	7,092
Other	22,314	146,088
	<u>205,163</u>	<u>583,435</u>
Not Past Due	186,952	565,947
Past Due – 0 – 30 days	-	-
Past Due – 31 – 120 Days	-	-
Past Due – 121 – 365 Days	-	-
Due more than one year	18,211	17,488
	<u>205,163</u>	<u>583,435</u>

The Fund's maximum exposure to credit risk for Loans Receivable at the reporting date was:

	2008	2007
	\$	\$
NSWHRC	1,700,000	-
Other Clubs	261,108	226,892
GHRRA	180,619	180,619
	<u>2,141,727</u>	<u>407,511</u>

All loans were within loan terms and conditions.

In addition to the above, the Fund 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:

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

### (B) Interest Rate Risk

The Fund's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Fund	Weighted Average Range		Floating		Non-Interest		Total	
	Effective Interest Rate		Interest Rate		Bearing			
	2008	2007	2008	2007	2008	2007	2008	2007
<b>Financial Assets</b>								
Cash	5% - 6.25%	5% - 5.5%	465,570	583,435	-	-	465,570	583,435
Receivables			-	-	205,163	583,435	205,163	583,435
Investments	6.2% - 7.2%	5.7% - 6.2%	1,151,989	2,450,918	-	-	1,151,989	2,450,918
Total Financial Assets			<u>1,617,559</u>	<u>3,034,353</u>	<u>205,163</u>	<u>583,435</u>	<u>1,822,722</u>	<u>3,617,788</u>
<b>Financial Liabilities</b>								
Trade and other payables	-	-	-	-	542,625	344,837	542,625	344,837
Total financial liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>542,625</u>	<u>344,837</u>	<u>542,625</u>	<u>344,837</u>



## Notes to the Financial Statements (Continued)

### Sensitivities to Interest Rate risk

If interest rates had risen or decreased by 100 basis points the Fund's results for the year to 30 June 2008 would have increased / (decreased) by approximately \$19,200.

If interest rates had risen or decreased by 100 basis points the Fund's results for the year to 30 June 2007 would have increased / (decreased) by approximately \$21,500.

### (C) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

Typically the Fund ensures that it has sufficient cash on demand to meet expected obligations for periods between 30 to 60 days.

	Less Than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years	Total
<b>At 30 June 2008</b>					
Trade & Other payables	542,625	-	-	-	542,625
<b>At 30 June 2007</b>					
Trade & Other payables	344,837	-	-	-	344,837

### (D) Market risk

Market risk is the risk that changes in the gambling market will affect the Fund's income.

The risk to the Fund is that allocations to HR NSW from either NSW Racing Pty Ltd or TAB Limited decrease due to lower turnover in the harness racing industry.

### Currency risk

The Fund has no exposure to currency risk as all transactions are in Australian dollars.

### Interest rate risk

The Fund adopts a policy of ensuring that its exposure to changes in interest rates is minimised by investing in products generally with short maturity profiles.

### Capital management

The Board's policy is to maintain a strong Accumulated Surplus to ensure that the Fund is able to meet any commitments which will sustain the future development of the industry. The Board of Directors monitors the surplus on a regular basis and allocates funds to clubs when circumstances are appropriate.

The Fund is not subject to externally imposed capital requirements.

## Notes to the Financial Statements (Continued)

### (E) Fair Values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2008	2007
	\$	\$
<b>Carrying Amount</b>		
Cash and Cash equivalents	465,570	63,177
Trade and other receivables	1,151,989	2,450,918
Trade and other receivables	205,163	583,435
Trade and other payables	(542,625)	(344,837)
	<u>1,280,097</u>	<u>2,752,693</u>
<b>Fair value</b>		
Cash and Cash equivalents	465,570	63,177
Trade and other receivables	1,151,989	2,450,918
Trade and other receivables	205,163	583,435
Trade and other payables	(542,625)	(344,837)
	<u>1,280,097</u>	<u>2,752,693</u>

### (F) Accounting policies and methods adopted

The accounting policies and methods adopted in relation to each material class of financial asset and liability are disclosed in Note 1.

END OF AUDITED FINANCIAL STATEMENTS