



RACING NSW

81-83 Baxter Road,
Mascot NSW 2020

P.O. Box 1010,
Mascot NSW 1460

Telephone: (02) 9551 7500

Facsimile: (02) 9551 7501

Website: www.racingsnw.com.au

2005 **RACING NSW**
ANNUAL REPORT

MISSION STATEMENT

**“TO ESTABLISH A DYNAMIC NSW THOROUGHBRED INDUSTRY WHICH
ADVANCES PARTICIPATION, ENSURES INTEGRITY AND DELIVERS QUALITY
RACING AT ALL LEVELS.”**

VISION

OBJECTIVES

- Provide a committed, user-friendly, professional and cost effective administration which uses best business practice in serving all aspects of the NSW Thoroughbred Racing Industry.
- Provide Leadership and Strategic Direction to ensure the NSW Thoroughbred Racing Industry achieves revenue growth, profitability and greater returns to Owners and Industry Participants.
- Provide a Racing product which appeals to all demographics, and take all actions necessary to guarantee integrity and confidence in the sport.
- Maximise betting turnover on NSW Thoroughbred meetings by accommodating punters needs and desires, and working with TAB Limited to promote new wagering products, to keep up with changes in demand.

FUNCTIONS OF THE BOARD

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

- a) all the functions of the principal club for New South Wales and committee of the principal club for New South Wales under the Australian Rules of Racing,
- b) to control, supervise and regulate horse racing in the State,
- c) to initiate, develop and implement policies considered conducive to the promotion, strategic development and welfare of the horse racing industry in the State and the protection of the public interest as it relates to the horse racing industry,
- d) functions with respect to the insuring of participants in the horse racing industry, being functions of the kind exercised by the AJC on the commencement of this section, and such other functions with respect to insurance in the horse racing industry as may be prescribed by the regulations,
- e) such functions as may be conferred or imposed on the Board by or under the Australian Rules of Racing or any other Act,
- f) such functions with respect to horse racing in New South Wales as may be prescribed by the regulations.



War of the Worlds defeats
Gr 2 winner Jet Spur at
Royal Randwick

MEMBERS OF THE BOARD

1 July 2004 – 30 June 2005



G M Pemberton AC (Gary)
CHAIRMAN

Independent Chairman appointed by the Board
Appointed 15 November 2004 for 4 years
Attended 11 meetings



D E Hopkins (Don)
VICE CHAIRMAN

Nominated by Racing NSW Country
Re-appointed 12 March 2004 for 4 years
Attended 17 meetings



J B Costigan (John)

Nominated by eligible industry bodies which represent the interests of licensed persons and race club employees
Re-appointed 12 March 2002 for 4 years
Attended 16 meetings



R M Lapointe (Bob)

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



G F Pash (Graeme)

Nominated by the Sydney Turf Club
Re-appointed 13 March 2004 for 4 years
Attended 17 meetings



D P R Esplin (Phillip)

Nominated by the Australian Jockey Club
Appointed 13 March 2002 for 4 years
Attended 17 meetings



B J Reardon (Brian)

Nominated by the Provincial Association of NSW
Appointed 18 March 2002 for 4 years
Attended 16 meetings



R A Ferguson (Rob)

Independent additional Board Member appointed by the Board in accordance with section 6(4) of the Thoroughbred Racing Act 1996
Appointed 1 November 2004 for 2 years
Attended 10 meetings



P N V'landys (Peter)

RACING NSW CHIEF EXECUTIVE
Appointed 23 February 2004
Attended 17 meetings



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Front Cover

From left to right

Grand Arnee - NSW Horse of the Year

Gai Waterhouse - TJ Smith Award Winner

Darren Beadman - George Moore Award Winner

Kathy O'Hara - Theo Green Award Winner

Back Cover

Takeover Target - Racing NSW Country

Horse of the Year

CHAIRMAN'S REPORT



Gary Pemberton AC
Chairman Racing NSW

The Hon. Grant McBride
Minister for Gaming & Racing
Level 13, 55 Hunter St
Sydney NSW 2000

Dear Minister,

In accordance with Section 29 of the Thoroughbred Racing Act 1996, I submit to you the ninth Annual Report of Racing NSW covering the period 1st July 2004 to 30th June 2005.

I assumed the position of Chairman of Racing NSW on 15 November 2004 at the invitation of my fellow Board members. I thank them for entrusting me with this important role.

For the first time since its inception the Board utilized the provisions of Section 6(4) of the Act and appointed an additional member with special qualifications, Mr Rob Ferguson. All other Board positions remained unchanged.

The Board met on seventeen occasions and I acknowledge the application of my colleagues during a difficult year.

The period under review brought with it a number of highs and lows.

Revenue to the three NSW racing codes from Tab Limited increased 4.8% on the prior year, on the back of a 1.6% increase in totalizator turnover. As a result of reduced costs in the central three code administrative body (RACINGCORP), revenue to Racing NSW increased by 5.9%.

These increases are consistent with past trends for Tab Limited to deliver proportionally greater returns to racing than the underlying growth rate in totalizator wagering. Since the privatization of TAB in 1998, the average annual growth rate in overall totalizator wagering has been 2.7%. Wagering on NSW racing has performed below that level. Totalizator wagering on all NSW codes has grown at an average annual rate of 0.7% since privatization. In 2004/05, turnover on NSW thoroughbreds was up less than 0.5% on the prior year.



These are trends which impact the major source of industry income. The inevitable constraints on revenue they foreshadow must be central considerations in the development of policies and strategies for the industry's future.

At the time of writing, the short term outlook for income from wagering continues to be uncertain because of the split television coverage.

Having anticipated a negative impact from the split television broadcast, Racing NSW directed all NSW clubs to consult prior to any commitment to a course of action involving a split broadcast. Both the Australian Jockey Club and Sydney Turf Club declined and the Supreme Court subsequently found that Racing NSW did not have the legal capacity to give directions in relation to broadcast rights and could have been perceived to have pre-judged the issues involved.

As a result of the Supreme Court's decision, the resolution of that dispute must rest with the commercial parties involved. In the absence of any effective capacity for Racing NSW to play a role, the Board appreciates the Minister's efforts to stimulate a negotiated outcome.

Looking ahead, considerable skill and effort will continue to be required for the industry to deliver enhanced returns to participants.

The Board has decided to establish an analytical unit during the 2005/06 financial year to ensure that it is better equipped to develop policies and strategies designed to improve the viability of the industry. This unit will be responsible for gathering, collating and analysing racing and wagering data and statistics as well as identifying industry best practices, benchmarks and key performance indicators against which the effectiveness and efficiency of the industry can be judged.

In 2004/05, Racing NSW reduced the First Charge to industry by \$2 million per medium of considerable savings in operational costs. The Chief Executive has shown particular aptitude in this area and I must compliment him and his staff for the diligent manner in which they have pursued this issue.

In consideration of the short term industry outlook, the Board has determined to make an industry distribution from reserves to the extent of funds accumulated from its general activities. This will result in a \$1.98 million reduction in the net First Charge during the year ended 30 June 2006.

Racing NSW will be requesting that clubs allocate this distribution to a net increase in prizemoney.

CHAIRMAN'S REPORT (contd)

The BOBS Scheme continued to be embraced by participants and the Starter Subsidy Scheme commenced during the year. Payments from these schemes coupled with prizemoney paid directly by racing clubs resulted in an amount of \$112.4 million being returned to industry participants. This represented an increase of 10.4% over the previous year. Further an additional \$9.2 million (\$7.5 million in the previous year) was paid on behalf of owners for jockey riding fees and workers compensation.

New South Wales race clubs continue to provide twenty of the top fifty races by value in Australia with the Doncaster Handicap and the Golden Slipper continuing to set the pace.

New South Wales owned and trained horses again excelled at race meetings conducted throughout Australia, winning 179 group and listed races out of a total of 542 such races – a success rate of 33%. Included in these wins were:

- **Stratum** winning the STC Golden Slipper Stakes at Rosehill Gardens (\$3.0 million)
- **Patezza** winning the AJC Doncaster Handicap at Royal Randwick (\$1.9 million)
- **Eremein** winning the AJC Australian Derby at Royal Randwick (\$1.925 million)
- **Savabeel** winning the WS Cox Plate at Moonee Valley. (\$3.0 million)
- **Al Maher** winning the Cadbury Guineas at Flemington (\$0.75 million)
- **Takeover Target** winning the Seppelt Salinger Stakes at Flemington (\$0.5 million)
- **Red Oog** winning the Doomben 10,000 (\$0.65 million)

The dispute between the three NSW codes of racing over the distribution of additional TABCORP revenue was resolved to the satisfaction of all parties. A disputed transaction in relation to the national body, RISA was rescinded and noted as a post balance

event in last year's accounts. The accounts this year reflect that rescission. I am confident that an alternative arrangement in relation to RISA will be resolved prior to end of 2005. Subject to the consent of individual clubs in relation to the management of intellectual property rights, that resolution holds prospect of one off cost savings and ongoing synergy benefits for the NSW thoroughbred racing industry.

Again, I would like to thank our Chief Executive, Peter V'landys and the staff of Racing NSW for their efforts in supporting the Board with its statutory responsibilities. The demands on our staff will continue with the need to identify ongoing strategies for the industry, to consult with participants on the way forward, to establish appropriate means of implementation, and the need to protect future revenue streams.

The Board appreciates the constructive dialogue with you as Minister on possible legislation to enhance existing provisions relating to the unauthorised use of New South Wales racing information by interstate and overseas wagering operators. The Victorian Government is enacting similar legislation and parallel action by the two Governments will greatly assist the industry in protecting its rights. I thank you and your Ministerial staff, together with Ken Brown and the staff of the Department of Gaming and Racing, for your assistance and advice on this issue and on general industry matters.

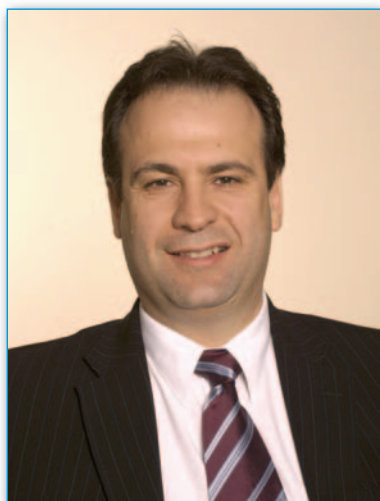
Yours Sincerely



G M Pemberton AC
Chairman



Dizelle captures the Gr 1-AJC Oaks in scintillating fashion at Royal Randwick. Pic by Steve Hart



Peter V'landys
Chief Executive

The 2004/05 financial year will go down as one of significant change and achievement. Many new initiatives have been implemented by the Board and the benefits, financial and otherwise, are now flowing through to the industry's participants. The Board is constantly exploring avenues which will improve the viability of the sport and of the many thousands of persons who gain their livelihoods from the industry.

At the same time the year was not without its difficulties and several issues remain unresolved at the time of writing this report.

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

REVIEW OF RACING NSW OPERATIONAL EXPENSES AND OTHER INDUSTRY EXPENDITURE

Following a close examination of the operations of Racing NSW, the organization's recurrent expenditure has been cut by close to \$2.5 million per annum. Further, the administration of country racing has been completely restructured resulting in additional savings of approximately \$1.5 million per annum. Importantly, these savings have been achieved without any adverse effects on the level and quality of service provided to clubs, industry participants and the general public. Unfortunately, it was necessary to apply \$900,000 of these savings towards the costs involved in the legal dispute and subsequent court case relating to metropolitan racing telecasts. The cost savings meant that Racing NSW reduced its takeout from the TAB distribution from \$10.3 million in 2004 to \$8.2 million in 2005.

Additionally, a total review was undertaken into racing clubs' insurance policies which Racing NSW coordinates or administers. As a result of that review, the policies were renegotiated with the insurers and annual costs to racing clubs were reduced by approximately \$1 million for the coming financial year.

Following concerns expressed by trainers at the prohibitive cost of Workers Compensation premiums, during the consultation phase of the Strategic Plan, the Board undertook an extensive review and audit of the Workers Compensation Fund. This resulted in the reduction of Workers Compensation premiums to trainers totalling

\$500,000 in this financial year and \$1m for the 2005/2006 year.

The total net result of the above initiatives represents on-going annual savings to the industry of \$6 million.

In addition to the on-going benefits from these cost savings, the Board has determined to make a one-off distribution from reserves in the 2005/06 financial year. By further reducing the First Charge, this will make available an additional \$1.98 million, which Racing NSW will request that clubs apply to increase prizemoney.

Despite these successes, I still believe that the industry is underfunded, particularly when compared to its Victorian counterpart which receives an additional \$60 million per annum, largely as a result of its share of gaming receipts. Accordingly, we will continue our efforts to provide a more efficient and cost effective service for participants. As highlighted in the Chairman's Report, Racing NSW will establish an Analytical Unit in the 2005/2006 year to ensure the Board is better equipped to develop policies and strategies designed to improve the viability of the industry so as to allow NSW to remain competitive on the national scene.

IMPLEMENTATION OF STRATEGIC PLAN

In last year's Annual Report I referred to the release of the Strategic Plan for the NSW thoroughbred racing industry and I can now report that the majority of initiatives outlined in the Plan have been implemented. A brief summary of the major initiatives is as follows:

DEFRAYING COSTS TO OWNERS

An "Appearance Fee" for starters not earning prizemoney in a race was introduced on 1st August 2004 to offset the costs associated with starting horses in races. Importantly, this rebate is paid directly to trainers to be credited to the respective owner's account, there by assisting trainers with their cash flows. This initiative was developed to address concerns expressed by numerous persons during the development of the Strategic Plan that the transport and other costs involved in presenting a horse at a race meeting were prohibitive and were causing owners and trainers to restrict the racing programs of their horses. The initiative has had a positive effect, particularly on country racing where there has been a significant increase in the number of starters. For the year, the country sector had 25,340 starters compared to 22,718 starters for the previous year, an increase of 2,712. The costs of implementing the scheme have been largely offset by the operational and administrative savings achieved by Racing NSW, and the revenue from additional turnover generated by the increase in starters.

COMPULSORY MINIMUM PRIZEMONEY FOR NON FEATURE EVENTS

In accordance with the Strategic Plan, compulsory minimum prizemoney to be paid by race clubs was introduced on 1st November 2004 to ensure the payment of prizemoney to a wider spread of participants and overcome the previous inequitable spread of prizemoney which saw 37.2% of available prizemoney being paid in respect of Group and Listed races which only accounted for 2.8% of races conducted. The Board's initiative saw an additional \$4.3 million per annum paid as prizemoney for non feature races. The uncertainty however caused by the split broadcast of thoroughbred racing has delayed the introduction of the next round of compulsory minimum prizemoney which meant that an additional \$12.7m which would have been paid for non -feature events in the 2005/2006 financial year has been deferred.

CHIEF EXECUTIVE'S REPORT (contd)

STC INITIATIVE TO MAKE PAYMENTS TO EIGHTH PLACE

In response to the Strategic Plan, the Sydney Turf Club proposed a further positive initiative aimed at improving the affordability of participating in racing. To this end, the STC recommended to restructure its prizemoney payments by combining prizemoney increases with a reallocation of overall prizemoney to allow payments to be made to horses finishing between 1st and 8th position. This initiative will allow the club to more fairly spread the money to placegetters in a race whilst still rewarding the winner appropriately. This concept supports the notion of spreading the prizemoney to a greater network of owners.

SCRATCHING FEES AND PLACED RIDER PAYMENTS

During the year, action was taken to eliminate scratching fees in circumstances where the scratching is supported by presentation of a veterinary certificate or where the trainer could satisfy the stewards that the horse's performance would be adversely affected by the state of the racing surface.

In addition, from 1st January 2005 country clubs were required to cease charging owners the riding fee for placed riders bringing them into line with metropolitan and provincial clubs.

The total benefit to owners of these initiatives was expected to be \$1.5 million in a full year.

All of the above measures of the Strategic Plan meant that the NSW thoroughbred industry received the highest annual increase in return to owners (10.4%) in the history of the industry. This is highlighted by the following table.

Return to Owners

	2004/2005	2003/2004
Prizemoney	\$99,751,600	\$96,080,750
Unplaced Starter Rebates	\$1,864,500	\$1,449,076
BOBS	\$4,698,000	\$4,120,000
Appearance Fee (from 1/8/04)	\$5,979,000	\$0
Country Cash Bonuses	\$95,000	\$208,500
Jockeys Ride Fees paid on behalf of owners	\$6,384,567	\$5,500,814
Jockeys Insurance paid on behalf of owners	\$2,787,430	\$2,721,733
	\$121,560,097	\$110,080,873
	\$11,479,224	→ 10.4% increase

INCREASING OWNERSHIP BASE

In recognition of the vital role of owners in the industry, an Owners' Department has been created within Racing NSW to cater for the special needs of owners and to develop initiatives aimed at attracting new owners to the industry. Race clubs throughout the State have also participated in this area and have combined to provide a wide range of special privileges for owners to allow them to maximize their enjoyment in the sport.

BOBS

The BOBS scheme was further expanded during the year by the introduction of a voucher system allowing successful owners to increase their return from the scheme provided it is used for reinvestment in the industry by way of a purchase at a recognized thoroughbred sale. By electing to take advantage of these new arrangements, successful owners are able to convert a \$16,000 winning cash bonus into a \$32,000 sales purchase voucher. This initiative has been well received by all sections of the industry. Of particular note is the fact that the State's major commercial breeders are now participating in the scheme with the result that income has risen by almost \$2 million per annum. Accordingly for every one dollar invested in the scheme by Racing NSW from the annual TAB distribution \$1.50 is returned to participants.

SYNDICATIONS

Racing NSW has continued to negotiate with ASIC to overcome the difficulties involved with the current regulatory regime relating to the syndication of racehorses and we are confident that a more user friendly system will shortly be available to syndicate promoters and trainers. This will have a positive effect on the numbers of registered syndicates and therefore on the number of horses available for racing.

CORPORATE BOOKMAKERS/BETTING EXCHANGES

The operations of corporate bookmakers in the Northern Territory and betting exchanges in the United Kingdom continue to present a major threat to the well-being of the industry. Apart from damaging the integrity of the racing industry, Racing NSW estimates that the combination of corporate bookmakers and betting exchanges is currently costing thoroughbred racing in NSW \$21 million per annum.

The recent statements by the Tasmanian Premier regarding the possible licensing of BETFAIR in Tasmania have accentuated these concerns. Racing NSW has continued to work actively with the New South Wales Government to combat these threats. The enactment of legislation mentioned in the Chairman's Report will enhance our ability to protect racing industry revenue.

TRAINERS CO-OPERATIVE

The Strategic Plan highlighted that trainers were taken away from their core responsibility of training, by the need to attend to all the accounting requirements of their operation. It would be more cost effective and save significant time for trainers to have all their accounting functions carried out by a centralized management company. The optimum structure for the organisation would be a Trainers Co-operative.

It is expected that the service will become fully operational during the second half of the 2005/2006 financial year. Participation in the scheme will also allow trainers to greatly improve the efficiency of their businesses as a result of gaining access to a wide array of management information including monthly profit and loss statements and individual profit and loss statements for each horse in their stables.

Added financial benefits of participation will include sharing in the bulk purchasing and negotiating power of the scheme. These benefits could ultimately see the scheme operating on a cost neutral basis for trainers.



PROGRAMMING

After a period of consultation with trainers, Racing NSW agreed to the programming of class races in the metropolitan area from February 2005 onwards. Despite a slow start, the industry appears to be increasingly comfortable with the revamped programming policy, which has included a return to the programming of 3YO maidens in the metropolitan area from August 2005. These initiatives have already resulted in increases in metropolitan field sizes over the last two months of the season and the first month of the new season.

Furthermore, this change in policy reflects the Board's willingness to listen to the industry's views and implement policy accordingly. Similarly, at a meeting with metropolitan trainers in June which discussed programming and handicapping, it was agreed that it was necessary for horses to occasionally race out of their grade for either weight relief or suitable placement. As such, Racing NSW agreed to not re-rate horses at the higher level at their first attempt in the higher grade should they run a place. In practice this mainly revolves around horses in the metropolitan area that are eligible for class three events, racing in class sixes. This policy therefore encourages trainers to attempt the higher class without fear of being harshly penalised when returning to the lower level.

Racing NSW is also of the view that a sufficient spread of weights in handicap races is required, particularly in the metropolitan area, to encourage participation and wagering activity. To that end, we have been working towards ensuring a minimum weight spread of 4.5kg in all metropolitan races and where possible in provincial and country races. This has been assisted by the programming of class racing in the metropolitan area in conjunction with the implementation of ratings based handicapping. The expected benefits of this policy are increased participation in metropolitan races (as more horses become competitive), which leads to increased returns from wagering and materialises in prizemoney increases for participants.

COST EFFECTIVE DISPUTE RESOLUTION

The Board will continue with its endeavours for access to the Small Claims Tribunal to be given to industry participants to allow the settlement of disputes and outstanding claims. Access to this Tribunal will provide a speedy and cost effective solution in the dispute settlement process and will allow disputes to be settled without the need to engage costly legal assistance. In addition, the decisions of the Tribunal carry the full weight of the law. The Board is also investigating other initiatives to improve the cash flow of trainers.

SUPER SUNDAY – COUNTRY

The 'Super Sunday' concept identified in the Strategic Plan was implemented during the year with the full support of country clubs. The concept has grown significantly to the stage where 93 Sunday race meetings were scheduled during the year.

A considerable injection of sponsorship funds from Sky Channel allowed 36 Sunday meetings at regional and major race club level to build on existing feature races and to implement additional feature races. Fifteen regional race clubs ran Sky Gold Race Days with a feature race of a minimum of \$25,000 in prizemoney and 22 major race clubs ran Sky Gold races with a minimum of \$15,000 in prizemoney.

The Super Sunday concept has been readily embraced by both the clubs and the local communities, resulting in increasing attendance and participation.

EDUCATIONAL FACILITY

The Board will continue its business analysis of acquiring a long term lease over Horsley Park for the provision of an Industry Education Facility including an International Jockeys' Academy and a training facility in order to provide a low cost entry for new young trainers.

OTHER MATTERS DURING THE YEAR

BROADCAST DISPUTE

During the year Racing NSW was a party to a matter before the Supreme Court regarding the decision of the metropolitan race clubs to enter into a commercial agreement with racing broadcaster TVN which resulted in the telecasts of race meetings being split between two broadcasters (Sky Channel and TVN).

When it became likely that the television broadcast of race meetings would be split between the two broadcasters the Board was concerned over the possible effects on the financial viability of the racing industry. In this regard the Board identified that the decision would result in a downturn in betting turnover and industry revenue. In addition the Board was not convinced that the industry could viably support two services without adding a potential financial burden on participants in underwriting possible losses incurred in the establishment and on-going operating costs of a second channel. These latter concerns were supported by a financial analysis undertaken on behalf of the Board by independent experts who cast serious doubts on the financial viability of a second channel.

However as the Court found that Racing NSW could not give directions in relation to the race clubs' broadcast rights the Board can no longer involve itself directly in the issue.

MERGING OF NSW TAB POOLS WITH SUPERTAB POOLS

Racing NSW was actively involved in negotiations to ensure that maximum benefits flowed to the industry from TABCORP following its successful takeover of TAB Ltd and has more recently involved itself in the arrangements for the merging of NSW totalizator pools with other pools administered by TABCORP. In this regard the Board has been mindful of the need to protect the integrity of NSW pools as well as any associated revenue flowing to the industry.

JOCKEY SAFETY

The Board instigated an extensive and exhaustive study into issues relating to the safety of Jockeys. In this regard, Racing NSW has joined with the controlling authorities in Victoria and Western Australia to undertake this program which is aimed at ensuring, not only the safety, but also the quality of life of jockeys. Total funds committed towards the program to date have exceeded \$200,000.

PAYMENTS FROM THE BENEVOLENT FUND

An amount of \$55,000 was paid from the Racing NSW Benevolent Fund during the year to assist industry participants and their families during times of tragedy and hardship.

I am confident that the initiatives implemented by Racing NSW over the past 12 months coupled with other strategies being considered for the new year will see the industry continue to grow and that participants will be able to receive a fair return for their labour and investments in the sport.

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

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

P N V'landys

ADMINISTRATIVE AND FINANCIAL STRUCTURE

Racing NSW and all NSW race clubs are bound by various commercial agreements which determine the flow of financial distributions from TAB.

RACING DISTRIBUTION AGREEMENT (RDA)

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

ROLES OF EACH PARTY

The roles of each party are:

- The NSW racing industry supplies the "product" to TAB,
- TAB Limited provides coverage of NSW race meetings through wagering outlets,
- The racing industry receives a share of the net wagering revenue and profits of TAB,
- Each of the racing codes and sectors must co-operate in matters such as programming and race date allocation so as to fulfill the mutual objectives of the racing industry and TAB.

OBJECTIVES OF RDA

The mutual objectives of TAB and the racing industry are broadly to:

- Encourage public interest and attendance in racing in NSW,
- Promote the quality and development of the codes,
- Maximise Net Wagering Revenue and Wagering Earnings.

RACINGCORP (FORMERLY NSW RACING PTY LTD)

Racing NSW, Harness Racing NSW and Greyhound Racing NSW are the controlling bodies of each racing code in NSW. Together, they established the company RACINGCORP to represent them under the Racing Distribution Agreement (RDA).

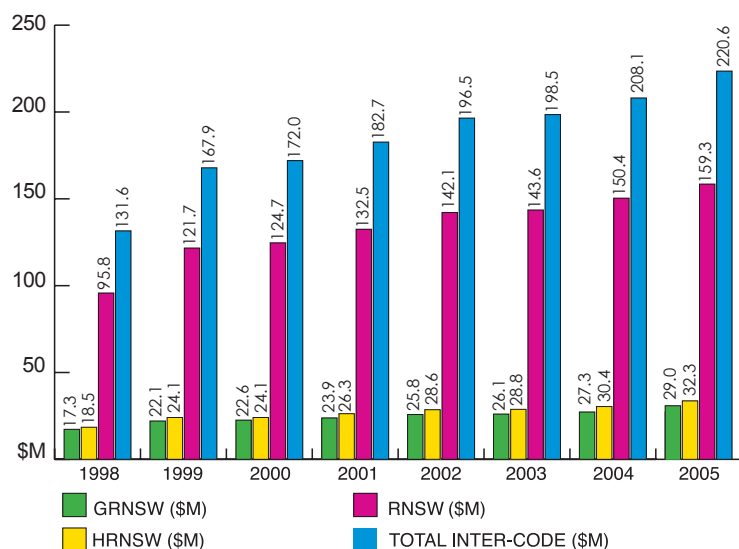
RACINGCORP is the interface between all codes of the racing industry and TAB. Its function is to perform, as agent for each representative body severally, the terms of the RDA. The funds paid to all codes of the racing industry by TAB are received by RACINGCORP.

The Board of RACINGCORP comprises 4 members from the thoroughbred code, 2 members from the harness code and 2 members from the greyhound code. The thoroughbred code members for the 2004/05 financial year were:

- Mr Gary Pemberton
- Mr Don Hopkins
- Mr Graeme Pash
- Mr Phillip Esplin
- Mr Bob Lapointe - (retired from RACINGCORP Board 24 November 2004)

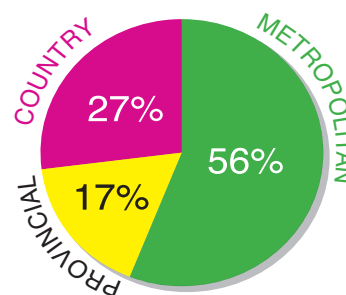
INTER-CODE AGREEMENT

The Inter-Code is an agreement between the thoroughbred, harness, and greyhound codes. It determines the basis upon which funds received by RACINGCORP from TAB are distributed between the codes. It also outlines the terms under which RACINGCORP is operated, controlled and funded. The funds are allocated primarily on fixed portions. Since privatisation of the TAB, the allocation of funds has been as follows:

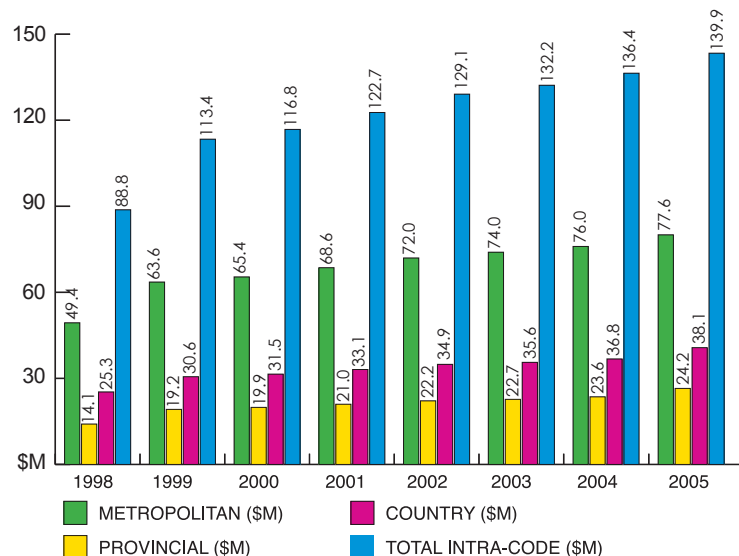


INTRA-CODE AGREEMENT

The Intra-Code Agreement sets out the distribution of monies between the metropolitan, provincial and country thoroughbred sectors. The first \$115m of distributions are set at fixed percentages.



The remainder of funds above \$115m is split 50% on the fixed portions and 50% on market share of TAB sales. Since privatisation of the TAB, the allocation of funds has been as follows:





Ray Murrphy
General Manager Integrity - Chairman of Stewards

STEWARDS

FUNCTIONS

Activities of the Stipendiary Stewards include:

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

PERSONNEL CHANGES

The past year has again seen a number of personnel changes within the department as Racing NSW Stewards continue to be in demand from other racing codes as well as international and interstate jurisdictions.

These changes have come on the back of a total restructuring of Stewards' operations around the State, in particular in the Southern District Racing Association and the South East Racing Association regions. The retirement of former Chief Steward Kevin Williams and his deputy Darryl McLean (SDRA) paved the way for former CDRA/WRA Chief Steward Geoff Hausfeld to return to the Southern Districts Racing Association in the role of Chief Steward with Jamie Dart appointed his Deputy. Todd Smith was then appointed as Chief Steward of the CDRA/WRA. Following Bevan Turner's departure to Queensland, Drew Smith was appointed Chief Steward of the Mid North Coast Racing Association and, in October, Mark Holloway took up the position formerly held by Drew Smith as Deputy Chairman of the CDRA/WRA.

In May, Northern Rivers Racing Association Deputy Chairman of Stewards Michael Zarb accepted an appointment to the panel of the Singapore Turf Club. This resulted in a promotion of Craig Pringle from the CDRA/WRA Panel to the position of Deputy Chairman of Stewards, Northern Rivers Racing Association.

More recently, Cadet Steward Tim Saladine was appointed as Stipendiary Steward and the third panel member of the CDRA/WRA. Stipendiary Steward Raymond Livingstone, based in the metropolitan area, took up a position with the Panel of Stewards at Harness Racing NSW under the chairmanship of former CDRA/WRA Chief Steward James Perry.

In addition, former Cadet Stewards Brett Scelly, Tim Williamson and Andrew Hayles have taken up racing appointments in other jurisdictions, Brett Scelly being appointed to the handicapping panel of New Zealand Thoroughbred Racing and Tim Williamson and Andrew Hayles being employed by Thoroughbred Racing SA and the Tasmanian Thoroughbred Racing Council respectively.

Racing NSW was delighted with the appointment of former Queensland Chief Steward Allan Reardon to the metropolitan panel in September, adding many years of racing experience to the panel.

Following a restructure of administrative duties and the relocation of the provincial office, Sue Priddis was appointed as assistant to Executive Reporter Karen Hunt, providing administrative and operational support to the Stewards on a state-wide basis.

STEWARDS INQUIRIES

Throughout the year Racing NSW Stewards conducted inquiries covering a broad range of offences under the rules of racing. Careless riding accounted for 280 breaches and 12 riders were penalised for use of banned substances with penalties ranging from 15 months to one month suspension. Stewards adjudicated over 10 positive swab inquiries involving penalties from 13 months' disqualification to a \$5,000 fine (reduced from \$8,000 at appeal). Major inquiries included the disqualification of an apprentice jockey for 10 months on a merits charge (AR135(a)) and the disqualification of an interstate bookmaker for 12 months plus a fine of \$50,000 for offences under AR175(g) and LR83. Two periods of 12 months' disqualification were issued against a spelling property proprietor found guilty over horse welfare issues (AR175(o)(i)).

DRUG TESTING

Headed by Senior Steward Steve Railton, a review in drug testing strategies and collection, storage and testing of samples took place. An overall increase of 7.1% in samples submitted to the ARFL for testing was achieved with provincial figures up 26% and country 12%. Pre-race blood samples collected were up 72% and TCO2 samples up a healthy 33%. Out-of-competition samples broke through the 1,000 barrier during this season.

VISITING OFFICIALS

Racing NSW Stewards again hosted a number of officials from interstate and international racing jurisdictions as well as City of London police officers Tony Crampton, Steve Wilmott, Mark Manning and Kerrie Gower, who enlisted the assistance of Racing NSW Stewards in relation to an investigation in the United Kingdom with respect to race fixing in that country.

Visiting Stipendiary Stewards to observe the functions of this Panel included Bill McMahon (Canada), Vincent Fung (Macau), Soo Lai Kwok (Malaysian Racing Association), and Lam Seng Fong (Beijing Jockey Club).

INDUSTRY TRAINING

As well as conducting in-house training seminars for cadet and trainee Stewards, NSW Senior Stewards attended a seminar on intelligence-gathering delivered by Detective Inspectors John Beard, Fiona Walton and Senior Sergeant Trevor Osborne following the National Chairmen of Stewards Advisory Group meeting in May. With the advent of microchipping as a means of identification of horses this season, a demonstration of microchip scanners was delivered to Racing NSW personnel by representatives of the manufacturer.

Deputy Chairman of Stewards Greg Rudolph attended a seminar in Sydney to progress the Diploma of Racing Administration Training on a national basis.

CONFERENCES & TRIBUNALS

Ray Murrphy and Greg Rudolph represented the Stewards at the National Chairmen of Stewards Advisory Group in Sydney and, in addition, Ray Murrphy represented that group on the National Equine and Integrity Welfare Advisory Group and the Australian Rules Review Advisory Group. Ray Murrphy also gave a seminar for Queensland Harness Racing Stewards in Brisbane and represented Racing NSW Stewards in the Jockey Safety and Welfare Review currently underway and jointly funded by Racing NSW, Racing Victoria and Racing and Wagering Western Australia. In addition, Marc Van Gestel presented a paper on microchipping to the National Chairmen of Stewards Advisory Group in Canberra last December. The domestic annual conference of Racing NSW Stewards additionally has developed into a most beneficial seminar in terms of Stewards being addressed by experts in the fields of legal, farriery, veterinary and analytical matters.

NEW DEVELOPMENTS

A number of significant developments with respect to industry matters affecting the Stewards Department have occurred in the last 12 months and these include:

- The Jockey and Safety Welfare Review;
- The NSW Apprentice Jockey's Forum, which developed a number of recommendations with respect to enhancing the career path of young apprentices;
- Display of the Rules of Racing on-line on the website of Racing NSW;
- Implementation of the Racing NSW barrier management policy;
- Introduction of the wet bulb globe thermometer reading as an aid to assessing the suitability of racing in extreme temperatures;
- Implementation of the numerical track rating system;
- Trackwork safety review;
- Upgrade of TCO₂ testing, including blanket testing at major metropolitan meetings and country meetings;
- The development of alternative strategies to drug testing in horses across the State;
- The introduction of time coding for country race meeting videos;
- Enhanced protocols for the collection, storage and transportation of drug testing samples;
- Updating of the swab database, and
- Introduction of a rule to prohibit an owner of a horse in a race from wagering on a betting exchange.

LIAISONS & CONTACTS

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

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

VETERINARY SERVICES

ACHIEVEMENTS

- Updated guidelines for official veterinarians attending race meetings in NSW, as well as procedures for blood sample collection as part of the Racing NSW drug control program;
- Developed procedures for the post-mortem collection of urine samples for forensic analysis;
- Conducted drug administration trials on behalf of the Australian Racing Forensic Laboratory, and managed the operations of Racing NSW's Animal Care and Ethics Committee which supervises and monitors the health and welfare of the research horse herd;
- Assisted the Stewards in developing procedures to monitor ambient conditions during hot weather to better manage the welfare of racing horses during the summer months;
- Compiled statistics from the Racing NSW Post Mortem Program, in collaboration with researchers both locally (University of Sydney) and abroad (Royal Veterinary College, London), for analysis and publication in the scientific literature as part of an international review of the incidence of racecourse injuries and fatalities;
- Chaired the Australian Racing Board's National Equine Integrity & Welfare Advisory Group (NEIWAG) which examined new approaches to dealing with the analysis and reporting of therapeutic substances, reviewed the "bleeder Rule", facilitated new research into drug detection, and examined new Rules to better manage health, welfare and emergency diseases in thoroughbred racehorses; and
- Represented the Scientific Advisory Council of the International Federation of Horseracing Authorities at its annual conference.

ANIMAL CARE & ETHICS COMMITTEE (ACEC)

The Racing NSW Animal Care and Ethics Committee (ACEC) was established under the auspices of the NSW Animal Research Act 1985 to monitor and supervise the team of research horses used for drug administration trials conducted on behalf of the Australian Racing Forensic Laboratory (ARFL). The Committee is chaired by Chief Executive Peter V'landys and its external members are Tony Gregory (*Category C member*), John Muir (*Category D member*), and Ms Adrienne Clark (horse carer).

The Committee approved seven research proposals during the reporting period. The proposals were for a range of drug administration trials that would assist the Laboratory in improving its drug testing capabilities.

LABORATORY (ARFL)



Dr Allen Stenhouse
Laboratory Official Analyst

In the past 12 months the Australian Racing Forensic Laboratory has achieved the following accomplishments:

- Awarded 100% in the Association of Official Racing Chemists annual proficiency test;
- Re-accreditation by the National Association of Testing Authorities of Australia against the international standard ISO 17025;
- Delivered an average turnaround time for negative samples of 9.0 working days;

- Published three research articles in scientific literature bulletins;
- Made significant progress with the research grant obtained from the World Anti-Doping Agency jointly secured by the ARFL, Charles Sturt University and the Australian Sports Drug Testing Laboratory for research into EPO;
- Detected ractopamine (a growth promotant), for the first time in thoroughbred urine samples.



Australian Racing Forensic Laboratory Annual Sample Statistics

(1st July 2004 – 30th June 2005)

Sector/Code	Post Race Urine/Blood	Plasma TCO2 Bloods	Pre Race Blood	Total	Prohibited Substance/s detected
NSW Metro T'breeds	2081	1245		3326	1
NSW Prov T'breeds	1372	725		2097	1
NSW Country T'breeds	4022	889		4911	8
Other T'breeds	2456	54		2510	14
Pre Race Testing			1727	1727	1
Out of Competition Testing	461			461	0
TOTALS	10392	2913	1727	15032	25

Human Samples	Urine	Total	Prohibited Substance/s detected
NSW Metropolitan	118	118	15
NSW Provincial	61	61	6
NSW Country	101	101	6
Quality Assurance Program	30	30	
TOTALS	310	310	27



Jim Murphy
General Manager - Commercial

BOBS Racing NSW's Breeder Owner Bonus Scheme

The BOBS Scheme completed a successful year and foundations were laid for its successful future. The increasing number of stallions nominated for each year reflects the growing support for the BOBS Scheme.

2005	94 stallions
2006	86 stallions
2007	151 stallions
2008	162 stallions

There are 1,689 two-year-olds eligible to win BOBS bonuses in the 2005-2006 racing season.

This will lead to a significant expansion of the scheme, bringing benefits to all sections of the industry.

A most significant initiative introduced in January 2005 was the "BOBS Buyer Promotion". The winner of any BOBS bonus can elect to accept either a net cash amount or a voucher for double that amount, such voucher to be used to purchase a BOBS-eligible yearling at thoroughbred auction sales conducted by participating sales companies.

FINANCIAL HIGHLIGHTS:

- \$4.64 million was paid out in cash for the year;
- \$778,000 was claimed in BOBS "Double-up" bonuses;
- A record number of 685 bonuses (52 more than 2003-2004);
- The Series produced a surplus of \$410,961;
- The BOBS Scheme has a total surplus of \$2,404,469.

SIRE PERFORMANCES:

- Catbird was the leading BOBS sire with 30 bonuses for \$240,000 in BOBS cash, courtesy of 24 individual winners;
- Catbird's leading progeny was Cateclipse which captured \$50,000 in BOBS bonuses. His other winners included Roadagain, Donna Ucello, Crème Brulee, Oriental Chief and It's All A Game;
- Beautiful Crown again had a bumper BOBS year, finishing second with 37 bonuses totalling \$200,000. Beautiful Crown's

best included Chaud Roche, Sutton King, Flaming, Abdication, Yarras, Top Crown and Western Beau;

- Other successful sires were Snippets (28 winners for \$220,000), Flying Spur (25 for \$210,000) and Commands (32 for \$210,000).

STARS OF THE "DOUBLE UP":

- There is little doubt that the "Double Up" is an unqualified success and the feature which distinguishes BOBS from other schemes;
- As at the end of July, 75 bonus winners had elected to "Double Up";
- Takeup rate for Double Up's was 18.2% and rising;
- There are 14 multiple "Double Up" winners. Hippy's Sister (5 wins for \$26,000 in vouchers) heads these winners. Bavosa earned \$48,000 in vouchers from only 2 wins;
- "Double Up" vouchers have been used to purchase 29 horses at recognised sales.

SUCCESSFUL OWNERS AND HORSES:

- The following owners won significant bonuses with an individual horse:
- Mr & Mrs G.B. White - \$60,000 with Loffily;
- Messrs C. Moloney, R. Weiss, R. Lapointe, G. Colosi, J. Shine, Dr A. Gorta and Mrs W. Lapointe - \$50,000 with Cateclipse;
- Mr T. Stuckey and Ms P. Yan - \$50,000 with Racing To Win;
- Mrs G. Waterhouse, Lomar Park Stud, C. Krogh and G. Harper - \$50,000 with Our Highlander;
- Three horses won five bonuses each: Loffily, Roadhog and Designer Cleo; while another 13 horses won four bonuses each including Alpen, All In Order, Anwaar, Hippy's Sister, Little Shrek, Mastermind, Restless Wind, and Showoot.

FAVOURITE BOBS TRACKS:

- **Metropolitan**
 - Rosehill Gardens - 30 bonuses for \$580,000;
 - Canterbury Park - 52 bonuses for \$520,000;
 - Royal Randwick (Including Kensington) - 36 bonuses for \$500,000;
 - Warwick Farm - 32 bonuses for \$410,000.
- **Provincial**
 - Kembla Grange - 54 bonuses for \$270,000;
 - Hawkesbury - 42 bonuses for \$210,000;
 - Broadmeadow - 37 bonuses for \$185,000;
 - Gosford - 29 bonuses for \$145,000;
 - Wyong - 25 bonuses for \$125,000.
- **Country**
 - Muswellbrook - 27 bonuses for \$135,000;
 - Port Macquarie - 24 bonuses for \$115,000;
 - Grafton - 22 bonuses for \$110,000;
 - Scone - 22 bonuses for \$110,000;
 - Cessnock - 21 bonuses for \$105,000;
 - Tamworth - 21 bonuses for \$105,000.

BREAK-UP OF BONUSES PER SECTOR:

Metropolitan Saturdays	51	(65)	\$1,020,000	(\$1,060,000)
Metropolitan Mid-weeks	99	(85)	\$990,000	(\$850,000)
Provincial	187	(171)	\$935,000	(\$855,000)
Country TAB	336	(312)	\$1.68m	(\$1.56m)
Country Non-TAB & Picnics	12	(0)	\$15,000	(\$0)

(Last year's figures in brackets)



FINANCIAL REPORT

2004/05 (RACING)	
Balance brought forward ¹	\$1,993,508
- Income	
Stallion Nominations	\$529,895
Racehorse Nominations	\$1,436,000
Racing NSW Revenue	\$4,000,000
Interest ²	\$214,992
Total Income - YTD	\$6,180,887
- Expenses	
BOBS Bonuses (Cash)	\$4,929,075
BOBS Bonuses (BOBS Buyer) ³	\$778,000
BOBS Expenses ⁴	\$62,851
Total Expenses - YTD	\$5,769,926
Series Surplus - YTD	\$410,961
Surplus (Series YTD plus amount brought forward into 2005/06)	\$2,404,469

¹ Excludes stallion nominations for 2007 credited to the Scheme;

² Interest on all BOBS funds held;

³ Includes amounts elected to be taken as BOB Buyer credits but not yet settled;

⁴ Includes all BOBS expenses during this period.

OWNERSHIP INITIATIVES IN NEW SOUTH WALES

- **Appearance Fee:** Every horse not earning prizemoney in a race meeting in NSW attracts a payment of \$200 to its trainer for disbursement to the owner(s);
- **Standardised Owners Benefits:** Most tracks now acknowledge the importance of owners by giving them special treatment;

- **Operation Ownership Promotions:** Many race meetings have featured displays by the many NSW syndicators and promoters operating under the strictest ASIC and Racing NSW guidelines;
- **Increased Minimum Prizemoney for standard races:** Ranging from a minimum of \$55,000 on Saturday Metropolitan meetings to \$3,500 for Country non-TAB meetings;
- **Placed Rider Payments:** Race clubs now pay the rider fee for all runners, whether they fill a place or not;
- **Super Sundays in the Country:** Designed to enable owners to watch their horses in leisure time rather than miss them through work obligations, this has proven a huge success;
- **Expansion of the Breeders Owners Bonus Scheme (BOBS):**
 - Bonuses are now paid on Non-TAB and Picnic meetings;
 - Owners can either take cash or double the bonus with a credit which can be used to purchase a BOBS yearling at a sale;
- **Elimination of certain Scratching Fees:** Designed to save owners \$400,000 per annum, this provides protection to both owners and punters, as there should be no disincentive to scratch a horse if it is injured or non-competitive on a particular racing surface;
- **Leasing Forum:** On the Racing NSW website is a list of horses for lease. This represents an opportunity for a low-cost entry level to ownership;
- **Broodmare Forum:** Again, on the Racing NSW website, is a list of more than 200 broodmares from which owners can choose if they wish to breed their own horses;
- **Dispute Resolution:** Racing NSW has strongly lobbied the Office of Fair Trading to allow owners access to the Small Claims Tribunal as a cost-effective way of resolving disputes with trainers and vice versa should they arise;
- **Syndication:** Racing NSW works very closely with syndicators and ASIC to ensure that existing and potential owners are afforded every protection when purchasing racehorses;
- **Trainers' Co-operative:** Whilst this is primarily aimed at trainers, a by-product will be the regularisation of the relationship between owner and trainer, to the potential benefit of both parties (more information follows further on);
- **Increasing Ownership Base:**
 - An Owners' Department has been established;
 - The launch of Club Festivus, - a membership club for 18-35 year olds which provides them with unique membership benefits and hopefully introducing them to ownership.



TRAINERS' SHARED SERVICE CENTRE (TRAINERS' CO-OP)

The concept of the Trainers' Shared Service Centre was derived from responses received during the survey of the Industry conducted in 2004. The findings of this survey were documented in the Racing NSW Strategic Plan published in July 2004.

The major issue regarding trainer's viability was as follows: "... disillusionment of trainers within the industry due to poor financial returns and the copious amount of bookwork and administration required".

Software, policies and procedures have now been developed to the point where the Shared Service Centre will soon be operational with a core of 15 trainers, many of whom have been integrally involved in the development stage.

An Australian Financial Services Licence has been obtained and this will assist in facilitating trainers' ability to syndicate racehorses

The entity will provide the following services to trainers at an economical fee:

- Accounts receivable - invoicing and debtors management;
- Accounts payable;
- Supplier negotiation and management;
- Horse syndication assistance;
- Taxation assistance;
- Financial reporting.

Additional benefits envisaged in time;

- Fleet discount on motor vehicles;
- Interest rate discounts on home loans and credit cards;
- Insurance discounts;
- Fuel and motor vehicle maintenance discounts;
- Telecommunications discounts.

PUBLIC RELATIONS, MEDIA AND PUBLICATIONS

Communication with the media is crucial in providing news and information concerning Racing NSW and the State's racing industry. The department provides media with information including Board policy and announcements, racing inquiries and appeals, and current affairs. The department seeks to enhance the profile of thoroughbred racing and to present a positive image of both Racing NSW and the racing industry.

The department also provides up-to-the-minute maintenance of the award-winning Racing NSW website - www.racingnsw.com.au adding articles and news items to the site as they happen.

For some time, the Board has viewed the industry website as a major promotional tool with the ability to facilitate e-commerce type transactions with the industry. The website has become extremely popular and now averages in excess of 1 million hits per month.

The department now produces the Racing NSW Magazine; an award-winning monthly publication. The magazine was formerly outsourced to a production company, but has since been brought 'in-house' resulting in substantial savings.

The magazine has since been revamped and now contains a broader cross-section of features in order to appeal to a more extensive readership base. Initiatives include Travel and Fashion features, Crosswords and Trivia, Historical Features, "59.5 Seconds with ..", Racing News, as well as an expanded coverage of Metropolitan, Provincial, Country and Picnic racing. The magazine is yet another excellent marketing tool for the industry to utilise.

ADVISORY COMMITTEES

THE INTEGRITY ASSURANCE COMMITTEE

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

The IAC advises the Board on matters of integrity which arise in this area.

Members

Mr D E Hopkins, Chairman

The Hon. J C J Matthews

Mr A K Davidson AM MBE

Mr M Cummings

RACING INDUSTRY PARTICIPANTS ADVISORY GROUP (RIPAC)

The Racing Industry Participants Advisory Group (RIPAC) was established under the Thoroughbred Racing Act 1996 as the vehicle by which industry representation is made to Racing NSW.

Mr L Young, Chairman

Breeders

Mr P Innes, Vice Chairman

Jockeys

Mr R Leemon

Trainers

Mr J Leslie

Owners

Mr J Ashman

Bookmakers

Mr M Thistlewaite

Industry Employees

Mr P Mair (to November 2004)

Consumers (now vacant)

The Board gratefully acknowledges the time, effort and expertise that IAC and RIPAC members contribute to the racing industry

INSURANCE

RACING NSW WORKERS COMPENSATION FUND

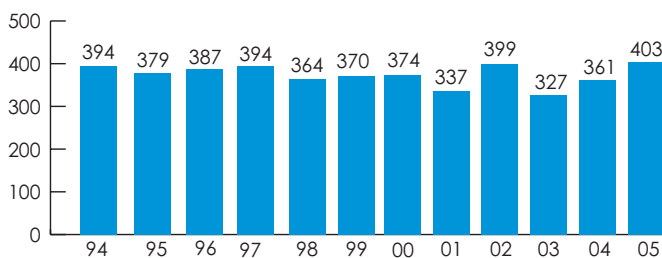
During the past year, the Board and Executive of Racing NSW have paid particular attention to the Insurance Fund, its financial position and operating environment. Notably the Board resolved that the outsourced management of the Department now be re-sourced in-house to give the fund increased transparency and accountability to, and focus on, its industry stakeholders. Racing NSW has therefore, during the past 6 months, spent a considerable amount of time and effort re-engineering the department and its operations.

The key programs and initiatives include: a new "Early Intervention" program for managing claimants through their injuries and back to work; an improved Injury Management Program for Racing Industry employers; a "Whole Industry" Return to Work Program and detailed Employer Specific Return to Work schematics; Occupational Health and Safety compliance programs including training, notice and enforcement processes and significant process and work flow efficiencies within the Department.

Because of the long term nature of workers compensation the benefits of these changes will not reflect immediately and will not affect the claims experience relevant for the 2004-2005 Annual Reporting Period. In fact the key indicators of performance for this period have not been favourable and key goals for the new programs and initiatives over the next financial year are to identify and arrest these trends.

The number of claims has increased in the last year and indeed the numbers have been increasing since the significant drop in 2003. It is now above the historical benchmark of 400 claims a year. The movements of claim numbers, generally over the last ten years have had peaks and troughs in line with legislative reform and in response to Racing NSW safety initiatives. The goal for the insurance department is to seek a reduction in claims experience based on actual changes in safety in the industry through interventionist and preventative management.

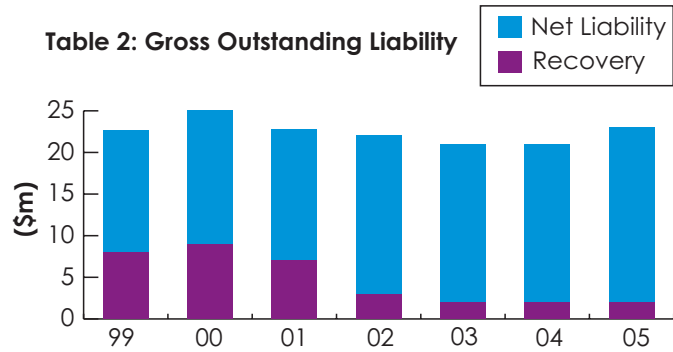
Table 1: Claim Numbers



Although there has been a marked increase in the numbers of reported claims their average severity has not increased.

Unfavourably, the significant annual increase in the number of reported claims has contributed to an increase in the outstanding liabilities of the Fund.

Table 2: Gross Outstanding Liability



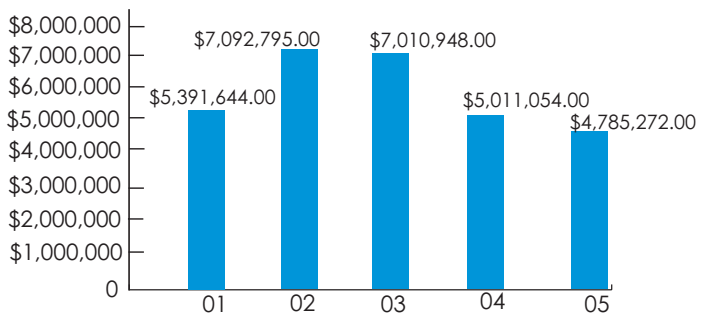
Other factors have contributed to the increases in net liabilities over the last five years, most notably:

- Decreases in reinsurance recoveries, due to policies placed with HH and general tightening of the reinsurance market
- Low rates of commutations able to be effected due to the need for WorkCover consent
- Increases in case estimates outstripping previous estimations

The insurance department has embarked on an aggressive cost cutting exercise on administration expenses during the last twelve months, mostly related to discretionary internal management expenses such as legal, rehabilitation and other advisors. Therefore while the number of claims increased during the financial year the total claims cost decreased.

This complements the significant cost savings achieved by the Executive in external Insurance expenses such as Reinsurance Premiums. Further, Racing NSW has increased returns via effective management of the investments of the Fund. Overall, the financial position of the Fund is sound and has allowed Racing NSW to reduce premiums to trainers of \$500,000 for this financial year and \$1m in the coming year while maintaining superior claims support to injured workers.

Table 3: Claims Expense



GENERAL INSURANCE AND PUBLIC LIABILITY

Racing NSW coordinates the provision of liability insurance and other general insurance for race clubs and industry bodies in NSW.

2005 was the second year of NSW's participation with the Victorian and Queensland racing industries in a public liability insurance captive fund. Under this fund the participating states self insure for public liability risk capped by reinsurance purchased for annual claims expense beyond \$2m. At this point, the fund has been effective both in reducing premiums as well as retaining surpluses that can be attributed to coming years' insurance needs.

Racing NSW also coordinates a variety of non-liability insurance policies for the NSW racing industry. During the year Racing NSW adopted a more aggressive approach in renewing policies for 2005/06. As a result of this action, the total premiums paid by racing clubs and racing bodies will be over \$1m less in 2005/06 than for the previous twelve month period.

INDUSTRY



Brian Judd
General Manager - Industry

STRUCTURE

During the year under review a new Department was established within Racing NSW which amalgamated a number of services provided to participants and race clubs.

The Racing NSW Industry Department manages the racing services provided in the form of handicapping, race dates, race results and race programming as well monitoring the operations and financing of race clubs. The Department also provides executive services to Racing NSW Country and the Provincial Association of NSW.

Prior to this year these functions were managed within five distinct business units and the amalgamation resulted in actual administration costs being reduced from \$3.3m in 2003/04 to \$1.7m in 2004/05.

RACING INDICATORS

During the year the department handicapped 79,752 nominations, resulting in the conduct of 5,608 races over 793 race meetings and to support these operations Racing NSW distributed \$139,842,444 to NSW race clubs.

Racing performance indicators on a state-wide basis trended as follows:

Prizemoney: In line with the Racing NSW Strategic Plan the major influence on prizemoney during the year, in addition to the introduction of an appearance fee, was the upward adjustment in minimum prizemoney for the three sectors from 1 November 2004. As a result total prizemoney moved from \$96.1m in 2003/04 to \$99.8m in 2004/05.

PRIZEMONEY DISTRIBUTION		
Sector	2004/05	2003/04
Metropolitan	\$62,054,000	\$60,627,000
Provincial	\$13,518,000	\$13,470,000
Country	\$23,778,400	\$21,605,200
Picnic	\$401,200	\$378,550
Total	\$99,751,600	\$96,080,750

APPEARANCE FEE		
Year	2004/05	2003/04
Total	\$5,979,100	\$0

Starters per Race: The average number of starters state-wide remained at 9.7 which was above the metropolitan average of 9.5.

Number of Starters: The movement in the total number of starters from 54,590 to 54,234 is reflective of the total number of race meetings conducted, which dropped from 779 to 760.

Number of Race Meetings: Whilst the combined number of metropolitan and provincial race meetings conducted remained relatively static at 246 when compared to the previous year's 250, the number of country race meetings was adjusted further with an increase in the number of TAB meetings conducted from 287 to 308 and the number of community meetings conducted, reduced from 242 to 206 (these figures do not include an adjustment for the Saturday afternoon country TAB meetings under the split broadcasting arrangements in May/June).

Revenue Distributions: TAB distributions to race clubs increased from \$76.0m to \$77.6m (metropolitan), \$23.6m to \$24.2m (provincial) and \$27.0m to \$29.8m (country) - a total increase of 4%, after accounting for the appearance fees.

Wagering: TAB investments on NSW thoroughbred events moved from \$576m down to \$557m (metropolitan), \$229m down to \$225m (provincial) and from \$301m up to \$329m (country).

TAB WAGERING

Sector	2004/05	2003/04
Metropolitan	\$557m	\$576m
Provincial	\$225m	\$229m
Country	\$329m	\$301m
Total	\$1,111m	\$1,106m



Exciting galloper Bentley Biscuit effortlessly scores at Kembla Grange in his debut



GENERAL

Betting Exchanges

During the latter part of the financial year wagering on Betfair reached a level that emphasised the concern expressed by Racing NSW over the availability of this form of wagering.

On Sydney metropolitan race meetings matched bets with Betfair were averaging approximately \$577,000 per meeting, which equated to 12% of total TAB turnover and 26% of bookmaker's turnover.

Broadcasting

Between the introduction of TVN on 4 May 2005 and the end of the financial year, the total decline in wagering turnover across the three codes was 2.1% with an additional 57 meetings covered over the same period the previous year. Prior to the split broadcasting arrangements, wagering was growing at the rate of 2.6%.

Staying races and fillies & mares races

During the year greater emphasis was placed on the programming of staying races and fillies and mares races. The number of races conducted at 1600m or further totalled 1170 or 20% of the total number of races programmed.

Similarly the number of fillies and mares races in the metropolitan area increased from 150 to 160, although the average number of starters per race dropped from 10.3 to 9.4, which indicates the appropriate number of opportunities is presently no more than 150 races per year.

Ratings Based Handicapping

During the year the first stage of a Ratings Based Handicapping system was implemented. When fully operational the ratings will provide a more transparent and systematic guide to handicapping for participants.

Training Facilities

During 2004/05, some \$1.65m was disbursed from the Country Racecourse Development Fund for capital works on country racecourses, with a further \$2.3m approved towards new initiatives.

Investigations into the latest generation polymer-based all-weather tracks are ongoing, and the performance of these surfaces continues to be closely monitored.

A renewed emphasis has also been placed on occupational health and safety (OHS) and in this regard, detailed audits of training and raceday facilities were undertaken at all four metropolitan racecourses plus each of the five provincial tracks. Reports listing specific OHS concerns as well as other items requiring upgrading to achieve statutory compliance were subsequently dispatched to all clubs.

Metropolitan Racing

Although one less metropolitan race meeting was conducted (123 down to 122) and nine less race meetings were conducted on the Randwick course proper in comparison to 2003/04 the wagering trend in metropolitan racing is still of concern, particularly after nine race Saturday meetings were introduced and race programming was restructured from February 2005.

Total TAB turnover on metropolitan events was down \$19.5m for which a major contributor was the transfer of meetings away from the Randwick course proper.

The number of starters dropped from 9,840 in 2003/04 to 9,183 in 2004/05, or a downturn of 6.7%. Conversely, total prizemoney offered at metropolitan tracks rose by \$1.4m to \$62.1m in 2004/05.

All metropolitan tracks averaged less than 10 starters per race, resulting in an overall average of 9.5 for the year.

On a positive note, the introduction of the inaugural Winter Challenge Series, a Racing NSW initiative, proved successful, with competitive racing experienced throughout the heats and a field of 17 in the final. Racing NSW is hopeful that, over time, the Winter Challenge is a race that will achieve Black Type status.

Provincial Racing

Three less provincial meetings were staged in 2004/05 as result of washouts. For this reason 44 less races were conducted in 2004/05 but total prizemoney offered by the provincial clubs marginally increased (\$48,000). The number of provincial starters was down 764 for the year and turnover for the season down \$4.6m also as a result of the three less meetings (127 down to 124).

Interestingly, the two Saturday clubs Illawarra and Newcastle experienced a 6% increase in total turnover for the year on an equal number of meetings staged, whereas the three midweek provincial clubs each produced almost identical turnover (\$37m) for the year.

The Newcastle Jockey Club went from third best average turnover per race in 2003/04 to the highest average turnover in 2004/05 of \$237,000 per race. The Illawarra Turf Club continued to attract most participation with an average of 10.5 starters per race. The Gosford Race Club offered the most prizemoney on a per race average on the provincial circuit.

2004/05 also saw the introduction of the Provincial Stayers Championship. Another Racing NSW initiative, the Championship was devised to further highlight Racing NSW's commitment to providing additional staying opportunities for horses at all levels. The inaugural series offered \$310,000 in total prizemoney and 115 individual horses competed during the heats and final, which was won by the Bede Murray-trained Old Mystique. The clubs have agreed to stage the series annually with next year's final being staged by Illawarra Turf Club.

Country Racing

Racing NSW country increased funding to country race clubs from \$27.0m to \$29.9m. The increase resulted in a positive reaction in TAB turnover on country events with market share moving from 27% in 2003/04 to 29.7% in 2004/05. This increase reflects turnover on country meetings for 2004/05 which moved upwards by \$25m, or \$28m when the Saturday afternoon meetings covered by the TAB in May and June 2005 are included.

Average country TAB field sizes for the year finished at 10.6 starters per race, however, the larger regional clubs consistently performed above that with average field sizes of over 11 starters per race.

During the 2004/05 financial year, returns to owners increased by \$2.79m (\$4.21m over two years) and average prizemoney per race increased by \$630 as a result of minimum prizemoney increasing from \$5,000 to \$6,000 per race.

INDUSTRY (contd)

NSW BLACK TYPE RACING

Black Type racing is the pinnacle participants aspire to throughout the year. It underpins the marketability of thoroughbred racing as an entertainment vehicle and NSW continues to lead the way in respect to the races, prizemoney and performances.

There were some remarkable performances by NSW horses, trainers and jockeys throughout the 2004/05 season.

The leading NSW Group One performer for the year and NSW Horse Of The Year was the Gai Waterhouse trained Grand Armeé, who won four Group One races in Sydney (George Main, Chipping Norton, Ranvet and Queen Elizabeth) plus the Mackinnon Stakes in Melbourne, taking his total to five.

Gai Waterhouse was the leading NSW trainer of Group One winners with nine, dominating the season with her winners including Lotteria in the Flight Stakes, Desert War in the Epsom, Fashions Afield in the Sires Produce and Shamekha in the TJ Smith and All Aged Stakes. Conversely, emerging Rosehill trainer Kim Waugh collected her first Group One race with Mahtoum in the Sydney Cup.

Alan Denham had a successful Autumn Carnival with the talented three year old Eremein by winning the Rosehill Guineas and AJC Derby and narrowly missing collecting the Triple Crown with an unlucky defeat in the final Canterbury Guineas held at Canterbury.

Arguably the outstanding individual training feat of 2004/05 came from Guy Walter who prepared the first three placegetters in the Doncaster Handicap.

The Paul Perry trained Stratum saluted in the AAMI Golden Slipper when he held off Fashions Afield to collect the \$1.95m first prize. Racegoers were also privileged to witness the champion mare Makybe Diva storm to victory in an enthralling BMW. With the upgrade of the Queen of the Turf to Group One status, the STC now has five Group One races on its premier day.

NSW trained horses also had a wonderful year competing at the highest level interstate. The Graeme Rogerson trained Savabeel became the first three year old since Octagonal to win the Cox Plate.

Paul Perry enhanced his record in Melbourne by winning the Lightning and Oakleigh Plate with Fastnet Rock, only narrowly missing the sprint triple crown when second to the great filly Alinghi in the Newmarket.

Another sprinting sensation, Takeover Target, gave battling Queanbeyan trainer Joe Janiak Group One success during the VRC Spring Carnival, when victorious in the Salinger Stakes on Derby Day.

Emerging Randwick trainer Joe Pride also tasted Group One success when Red Oog upstaged more fancied rivals by winning the Doomben 10,000 at the Brisbane Winter Carnival.

Group & Listed Races – National Rankings

NSW Group & Listed Races with prizemoney of \$400,000 or more rank highly, when compared to prizemoney levels throughout Australia (see following table).

R	GR	CLUB	RACE	DIST	P/MONEY
2	1	STC	GOLDEN SLIPPER STAKES	1200	3,000,000
4	1	STC	BMW CLASSIC	2400	2,000,000
5	1	AJC	AJC AUSTRALIAN DERBY	2400	1,925,000
6	1	AJC	DONCASTER HANDICAP	1600	1,900,000
8	1	STC	GOLDEN ROSE STAKES	1400	1,000,000
9	1	AJC	SYDNEY CUP	3200	750,000
	1	AJC	QUEEN ELIZABETH STAKES	2000	750,000
10	1	AJC	T J SMITH STAKES	1200	700,000
11	1	AJC	AJC OAKS	2400	660,000
13	1	STC	COOLMORE CLASSIC	1500	600,000
14	1	AJC	EPSOM HCP	1600	560,000
	1	AJC	THE METROPOLITAN	2400	560,000
15	1	STC	ROSEHILL GUINEAS	2000	500,000
16	1	AJC	CHAMPAGNE STAKES	1600	420,000
	1	AJC	AJC SIRE PRODUCE STAKES	1400	420,000
17	1	STC	CANTERBURY GUINEAS	1600	400,000
	1	STC	RANVET STAKES	2000	400,000
	1	STC	GEORGE RYDER STAKES	1500	400,000
	1	STC	QUEEN OF THE TURF STAKES	1500	400,000
	1	STC	ARROWFIELD STAKES	2000	400,000

* National ranking by prizemoney

NSW-BRED Group & Listed Winners 2004/05

In 2004/05 NSW-bred horses won 38% of the Group and Listed Races conducted in Australia.

TOTAL RACES	TOTAL WINS	GROUP 1	GROUP 2	GROUP 3	LISTED
542	205	33	38	45	89

Pattern Committee

Much was made throughout the year of decisions contained in the Australian Pattern Committee's review of Black Type racing handed down in September 2004. The review aimed to achieve more accurate structures and ratios in categories within the listings to better reflect the trends and patterns that have emerged in metropolitan racing. The decisions (below) contained in the review become effective predominantly during the 2005/06 season.

2YO

CLUB	RACE	2003/04 CLASSIFICATION	2005/06 CLASSIFICATION
AJC	Fernhill Handicap	Group 3	Downgraded to listed
GRC	Gosford Slipper	Listed	De-listed

3YO

CLUB	RACE	2003/04 CLASSIFICATION	2005/06 CLASSIFICATION
Tatts	Roman Consul	Group 3	Upgraded to Group 2
Tatts	Furious	Group 3	Upgraded to Group 2
STC	Golden Rose	Unlisted	Upgraded to listed
AJC	San Domenico	Group 2	Downgraded to Group 3
AJC	Silver Shadow	Group 2	Downgraded to Group 3
AJC	Up and Coming	Group 2	Downgraded to Group 3
STC	Gloaming	Group 2	Downgraded to Group 3
AJC	Ming Dynasty	Group 3	Downgraded to listed
TJC	Gainsborough	Listed	De-listed
GRC	Gosford Classic	Listed	De-listed



Fillies and Mares

CLUB	RACE	2003/04 CLASSIFICATION	2005/06 CLASSIFICATION
STC	Queen of the Turf	Group 2	Upgraded to Group 1*
AJC	Sapphire	Group 3	Upgraded to Group 2
STC	Millie Fox	Listed	Upgraded to Group 3
AJC	Breeders Classic	Listed	Upgraded to Group 3
STC	Birthday Card	Listed	Upgraded to Group 3
STC	Wenona Girl	Unlisted	Upgraded to listed
STC	Aspiration	Unlisted	Upgraded to listed
NJC	Tibbie Plate	Unlisted	Upgraded to listed
WRC	Mona Lisa	Unlisted	Upgraded to listed

Open

CLUB	RACE	2003/04 CLASSIFICATION	2005/06 CLASSIFICATION
AJC	TJ Smith	Group 2	Upgraded to Group 1*
STC	Ajax	Group 3	Upgraded to Group 2
NJC	Cameron	Listed	Upgraded to Group 3
HRC	Safilo Cup	Unlisted	Upgraded to listed
SRC	Scone Cup	Unlisted	Upgraded to listed
GRC	Gosford Cup	Group 3	Downgraded to listed
STC	Manion Quality	Group 3	Downgraded to listed
CRJC	Grafton Cup	Group 3	Downgraded to listed
Tatts	Tattersall's Plate	Listed	De-listed
STC	Lord Mayors Cup	Listed	De-listed
STC	Stayers Cup	Listed	De-listed
AJC	Services Memorial Cup	Listed	De-listed

* Run as Group One in 2004/05



Natural Blitz proves too strong in the Wagga Wagga Gold Cup

HONOUR ROLL

GROUP 1

W'wick Farm	George Main Stakes	Grand Armee
Randwick	Spring Champion Stks	Savabeel
Randwick	Flight Stakes	Lotteria
Randwick	Epsom Handicap	Desert War
Randwick	The Metropolitan	County Tyrone
W'wick Farm	Chipping Norton Stks	Grand Armee
C'bury (N)	Canterbury Guineas	Jymcarew
Rosehill	Ranvet Stakes	Grand Armee
Rosehill	Coolmore Classic	Danni Martine
Rosehill	Rosehill Guineas	Eremein
Rosehill	Arrowfield Stakes	Hollow Bullet
Rosehill	The BMW	Makybe Diva
Rosehill	George Ryder Stks	Court's In Session
Rosehill	Golden Slipper Stks	Stratum
Rosehill	Queen of the Turf Stks	Ike's Dream
Randwick	T.J. Smith Stakes	Shamekha
Randwick	Sires Produce Stks	Fashions Afield
Randwick	AJC Derby	Eremein
Randwick	Doncaster Hcp	Patezza
Randwick	AJC Oaks	Dizelle
Randwick	The Galaxy	Charge Forward
Randwick	Champagne Stakes	Carry On Cutie
Randwick	All Aged Stakes	Shamekha
Randwick	Queen Elizabeth Stks	Grand Armee
Randwick	Sydney Cup	Mahtoum



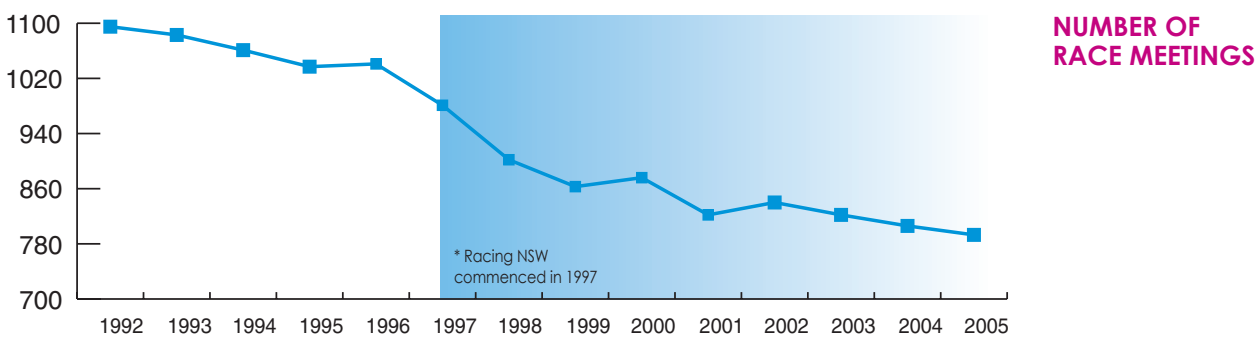
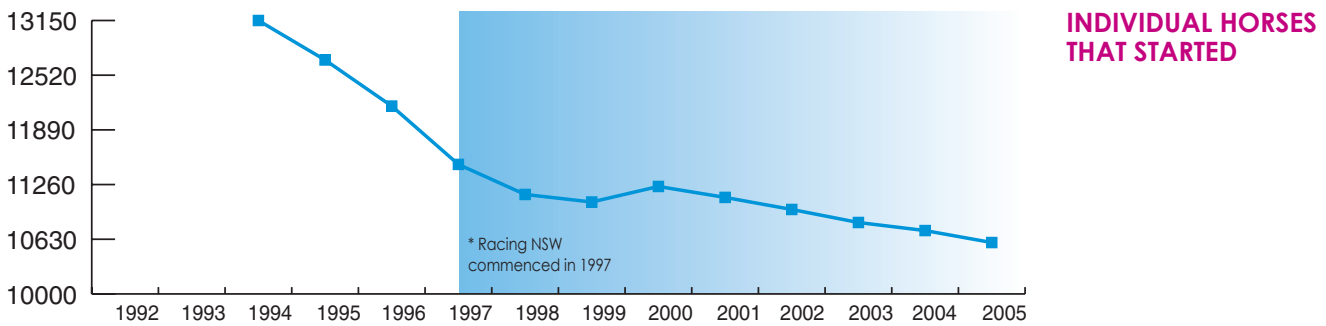
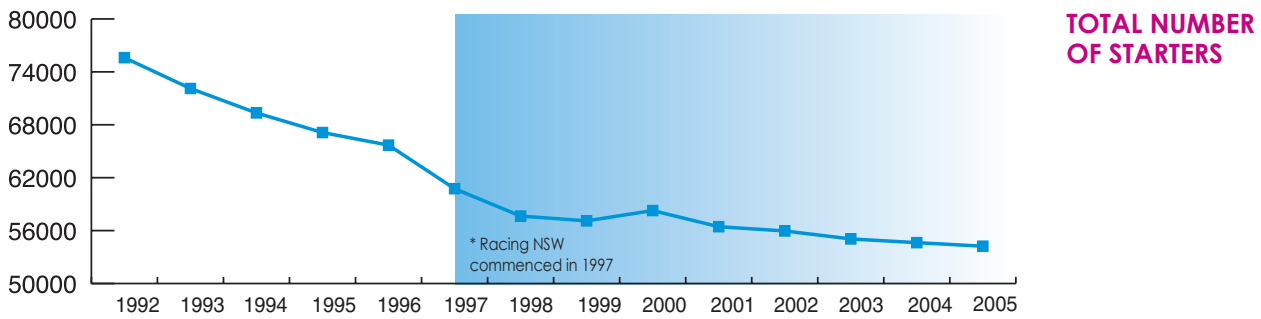
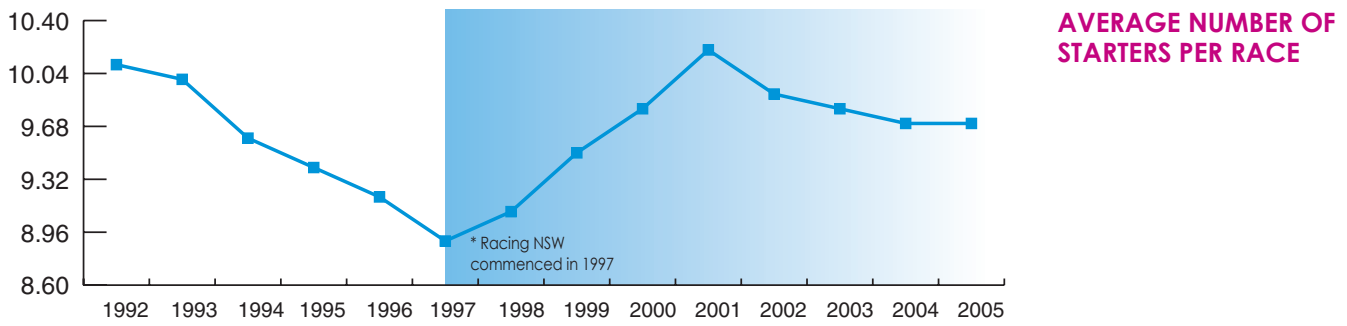
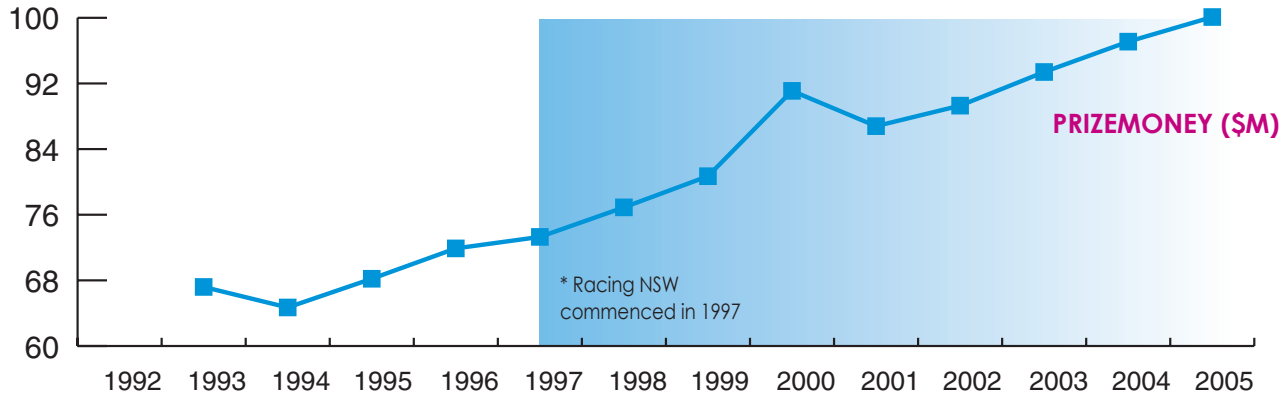
GROUP 2

Randwick	San Domenico Stks	Charge Forward
Rosehill	Premiere Stakes	Spark Of Life
W. Farm	Up & Coming Stks	Fastnet Rock
W. Farm	Silver Shadow Stks	Our Sweet Moss
W. Farm	Warwick Stakes	Private Steer
W. Farm	Chelmsford Stakes	Unearthly
Rosehill	Theo Marks Stks	Falkirk
Rosehill	Tea Rose Stakes	Prisoner Of Love
Rosehill	Hill Stakes	Natural Blitz
Rosehill	Gloaming Stakes	Al Maher
Rosehill	Shannon Stakes	Nips
W. Farm	Stan Fox Stakes	Wager
Randwick	Villiers Stakes	Ike's Dream
Randwick	Light Fingers Stks	Trezevant
Randwick	Expressway Stakes	Court's In Session
Randwick	Royal Sovereign Stks	Dance Hero
Rosehill	Silver Slipper Stakes	Domesday
Randwick	Apollo Stakes	Grand Armee
Randwick	Hobartville Stakes	Outback Prince
W. Farm	Surround Stakes	Lotteria
Rosehill	Todman Sl. Trial	Written Tycoon
Rosehill	Reisling Sl. Trial	Fashions Afield
Rosehill	Phar Lap Stakes	Shania Dane
Rosehill	Canterbury Stks	Dance Hero
Rosehill	Magic Night Qty	Media
Rosehill	Pago Pago Qty	Stratum
W. Farm	Challenge Stakes	Impaler
Rosehill	Tulloch Stakes	Stella Grande
Randwick	Chairmans Hcp	Philosophe
Randwick	Emancipation Stks	Perfect Promise

Eremein wins the Gr 1-STC Rosehill Guineas. The gelding was unlucky not to take out the 3YO Triple Crown



ANNUAL TRENDS





Keith Bulloch
General Manager - Regulatory

BACKGROUND

An essential part of the Integrity team, the role of the General Manager Regulatory is to manage the following functions:

- Owners' Registration;
- Registration of racehorses;
- Naming;
- Colours;
- ASIC and the regulation of promoters;
- Syndications;
- Licensing of Industry personnel;
- Benevolent Fund;
- Industry Training;
- Rules of Racing;
- Regulation of Betting.

The GM Regulatory has a supervisory role in regard to these departments, including Senior Management reporting to the Board and implementation of Board policy. Department activities are reported on the following pages. In addition to these, specific project work was commenced, or carried over into the 2004/05 year, such as:

Registration of Racehorses on-line Australia: Scope, design and initiate research document for introduction of electronic registration process for all racehorse ownership in Australia – to deliver fast tracking processes for owners, and commercial benefits for race clubs, corporate sponsors and participants.

Track safety initiatives: Co-ordinate industry forum, format conceptual changes for safety improvements at trackwork, formulate policy, introduce series of initiatives to enhance track rider assessment, standard accident warning protocols and storm warning devices.

Microchip data scanners: In conjunction with stewards, developed conceptual prototype system to adapt field use scanner for industry use; scan horse's microchip, read or record data; provides synergies and time-saving solutions for officials, race clubs, auctioneers, trainers, transporters, vets, etc.

Sample collection – security and storage review:

Co-ordinate a review of the process followed in relation to the chain of custody and delivery process of post and pre-race specimen samples from racecourse to Laboratory; recommend solutions, implement change.

Apprentice Jockey Review: Conduct industry forum, format conceptual changes, survey participants, formulate policy, and introduce series of initiatives to enhance recruitment and ongoing success of apprentices.

Australian Security and Investment Commission – licensing of syndicators (licensed promoters): Co-ordinate industry approach to the changes in ASIC regulations. Prepare submissions, make recommendations, and advise all states of process. Introduce Authorised Representative rule requirements for racing.

Horse Information Page: As a support for the new Thoroughbred Identification Card, the horse information page provides web-based information regarding a horse's form, approved gear, steward's record and ownership details. A world first, it delivers considerable advantages for Stewards, Auction Houses, Trainers, Owners, etc. A version has since been adopted in New Zealand.

Jockeys' and Trainers' Public Liability Insurance:

Co-ordinate with Jockeys Association and Trainers' Association the collection method for payment of important insurance requirements for participants.

Austrac: Assist the Australian Cash Transactions Agency co-ordinate an industry education program in regard to the reporting obligations for Bookmakers and Punters of significant cash transactions. Austrac's charter is to identify, intercept and prevent money laundering and associated practices and evasion strategies.

Racing Colours- Registration: To promote racehorse ownership, a strategy was adopted by the Board for changes to the racing colours approval system. Application can now be made for registration of new logo designs promoting syndication and ownership.

WorkCover – Thoroughbred Racing Compliance Project

– Trainers: WorkCover officers met with Racing NSW staff in October 2004. A co-ordinated approach was agreed regarding WorkCover Inspectors visiting Trainer's stables to conduct safety audits. WorkCover contacted the Trainer or Race Club prior to visit, and based their inspection on the Racing NSW Self-Audit document that trainers were required to complete at the previous licence renewal. WorkCover recognised that Racing NSW has conducted a four year education and training campaign, and commented on this as an excellent example of Industry initiative.

LICENSING

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

The Licensing Committee met on six occasions during 2004/2005. The role of the licensing committee is to set licensing policy and procedure for Racing NSW. Applicants for licences may be further



interviewed at these meetings, and decisions or recommendations forwarded to the Board for approval.

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

Licensing Committee Mr Don Hopkins (Chairman)
Mr John Costigan

Centralisation of Licensing Function: Following a review of the functions of the Country Racing Council regional offices, the licensing function has been centralised. Licence applications and renewals are processed from the Racing NSW head office at Mascot. Regional Stewards continue to play an active role in the front line of licensing, particularly with new applicants. Recommendations from regional stewards are tabled to the Licensing Committee

Occupational Health & Safety: Racing NSW plays an active role in providing Occupational Health & Safety education and training to racing participants in the State. Trainers, as employers, were required to conduct an OH&S self assessment of their stables and submit an audit document as a condition of their 2004/2005 licence renewal.

Applicants for Trainers licenses are also required to follow this procedure before being issued with a licence. The process helps prepare trainers for random site inspections from Work Cover NSW officers.

Riders' Agents – Jockeys agreements policy: A review was conducted regarding the number of, and location of, those jockeys and apprentices assigned to a rider's agent. The following policy was introduced restricting the number of agreements a Rider's Agent could register with a Jockey/Apprentice Jockey:

A Riders' Agent is permitted to register agreements with no more than five Jockeys or Apprentices and is permitted to register an agreement with no more than four Jockeys or Apprentices who ride predominately in the same area. Agreements registered prior to the 8th February 2005 will stand.

Bookmakers – Melbourne Cup Day: Due to the large number of race meetings and betting auditoriums conducted on Melbourne Cup Day in NSW, a policy was introduced to allow Non-Metropolitan Bookmakers to operate additional racecourse stands in the form of an agency at a second country race meeting and/or country-based auditorium. Metropolitan Bookmakers may field at Randwick Racecourse only, provided that those metropolitan bookmakers who usually field at Rosehill

race meetings will be permitted to have an agency in operation at the Rosehill Gardens Picnic race meeting on Melbourne Cup Day.

Licensee comparison 2004/05 vs 2003/04: The yearly comparison of licencees reveals that the number of the majority of licence types remained consistent, or rose slightly. The exception was the trainers' category, which experienced a 5% reduction when compared to the previous year. This, no doubt, is in part a reflection of the rising costs trainers face in maintaining their business in a highly competitive industry. The Board of Racing NSW and the 2004/05 Strategic Plan proposed and implemented several initiatives to begin the assistance platform the trainers require.

A number of metropolitan apprentice jockeys graduated to the senior ranks in 2004/05, causing a reduction in the recorded number of metropolitan apprentices this year. These spots will gradually be filled by incoming apprentices from country areas in the coming year.

REGISTRATION OF RACEHORSES

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

"Our entire industry is built on one thing, and that is identification. If we can't be sure, beyond all reasonable doubt, that the thoroughbred we watch on the racetrack, or take to the breeding shed, or buy at the sales, is the one we think it is ... our whole system collapses," - Mr Ogden Mills Phipps, Chairman of The Jockey Club.

The ROR is managed by Racing NSW on behalf of the other States. The national office sets policy, and when required makes recommendations to the Australian Racing Board if significant amendments are proposed to existing practices. The department is responsible for the original registration and naming of all horses (around 14,000 per year), and additional transactions and disputes that may arise. These services can be described as national transactions. The Racing NSW section of the registration department is also responsible for the registering of NSW syndicates of owners, and acting as Lead Regulator under the ASIC regime that controls the actions of Licensed Promoters (syndicators).

NUMBER OF LICENSED PERSONS IN NSW

	METROPOLITAN		PROVINCIAL		COUNTRY		TOTAL	
	Total 04/05	Total 03/04	Total 04/05	Total 03/04	Total 04/05	Total 03/04	Total 04/05	Total 03/04
Trainers	113	119	224	226	939	1001	1276	1346
Jockeys	75	83	17	25	188	180	280	288
Apprentices	7	17	14	10	101	90	122	117
App Riders	-	-	-	-	33	42	33	42
Bkmakers	58	58	10	10	147	149	215	217
BM Clerks	451	441	63	62	364	405	878	908
SH Riders	494	501	271	241	660	537	1425	1279
SH Non Rid	559	537	318	334	912	902	1789	1773
Foreperson	77	63	34	31	149	142	260	236
Rid Agents	14	15	4	8	12	8	30	31
Total	1848	1834	955	947	3505	3456	6308	6237

REGULATORY (contd)

The ROR central IT database is located at Racing NSW. ROR central staff record details of national transactions. Each State Deputy Registrar has access to the system to record details of State transactions. The combined national and State transaction data forms the complete database of the ROR.

Highlights: The move to the Thoroughbred Identification Card for 2003 foals was a major step in the continual improvement of the registration process. Turn-around times have come down markedly allowing horses to be registered within a 48-hour period. The impact of the card system will be fully realised into the next financial year with the new foal crops coming through.

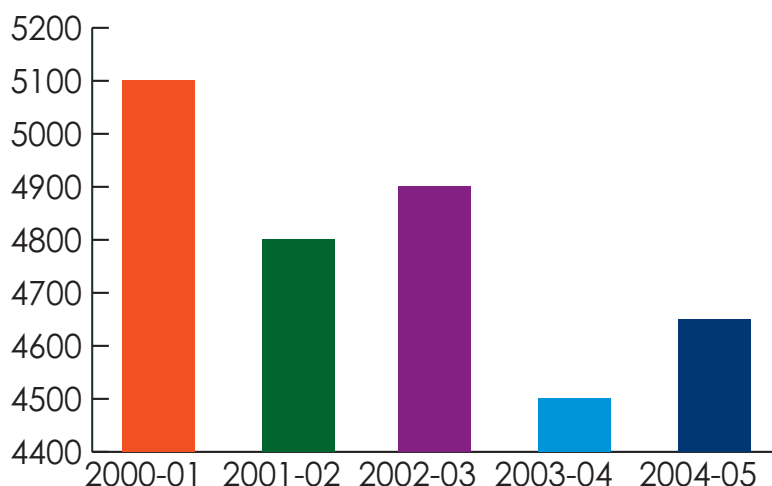
Also conducted was a full review of the registration forms. In doing so the forms were improved so as to reduce informational error and also to simplify the requirements for owners.

In general terms, there has been less rigidity applied to transactions with a greater emphasis placed on flexibility. This has been across the board as it is imperative that an owner or group of owners begin their journey through racing in the best possible circumstances.

Development: There is a large degree of scope for the further development of the Registrar of Racehorses into an effective business unit. In the previous financial year proposals were submitted across a wide range of areas allowing for future growth and responding to the requirements of stakeholders. These initiatives revolved around the incorporation of information technology solutions in an effort to improve efficiencies throughout the process and service delivery. The core areas included the specifications developed for both the on-line registration system and name reservation system. These are two very important areas that will assist in the long term development of the registration department and also reduce future costs to owners.

Financial Year in Review: The end of the financial year pushed the total registration count past 14,000. The year recorded 14,018 horse registrations, 6,918 transfers, and 3,391 leases. NSW contributed 4,624 registrations, 2,116 transfers and 852 leases to those totals.

NSW Registration Figures (new horses)



The number of new syndicate registrations in NSW was vastly improved on the previous year. In total 220 new syndicates were registered being a 78% increase on the prior year. This will continue to grow into the future as pressure increases to reduce per head ownership costs.

INDUSTRY TRAINING

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

The objectives of the Industry Training department include:

- increasing apprentice jockey numbers;
- managing apprentice jockey training in conjunction with TAFE;
- managing the apprentice race series in conjunction with DET NAC;
- encouraging greater participation of young people in the racing industry;
- assisting people entering the racing industry to find their most suitable career path;
- ensuring participants are informed about the national Racing Industry Training Package;
- providing equitable training throughout the country, provincial and metropolitan areas.

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

TALENT IDENTIFICATION PROGRAM

Racing NSW worked with Western Institute of TAFE to conduct two Talent Identification Intakes in July 2004 (12 students) and February 2005 (25 students). 20 of the students are continuing as prospective apprentice jockeys and 13 as stablehand riders. Six training blocks of 2 to 3 days duration were also held for current apprentice jockeys.

PROMOTIONS AND RECRUITMENT

Increase in profile of careers in racing with Racing NSW this year entailed representation at 13 careers markets (each market attracting between 2,000 and 7,000 students) 5 pony club camps, 3 sports high schools and 4 rodeos resulting in many requests for further information on careers in the racing industry.

DET NAC RISING STAR SERIES

The fifth consecutive staging of the Department of Education and Training New Apprenticeships Centres 'Rising Star' 2004 Series was held between April and November. Jay Ford won the Series on 20 points, as the most successful rider in the all-apprentice race series. The All Apprentice Raceday, held on Melbourne Cup Day, was hosted by Orange Jockey Club and 04/05 Apprentice Jockey Premiership winner Ms Kathy O'Hara won the Most Successful Rider of the day prize.



APPRENTICE WINNING RIDES

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

APPRENTICE WINNING RIDES

NSW apprentice jockeys rode more winners in the 2004 / 2005 season than in the previous three seasons.

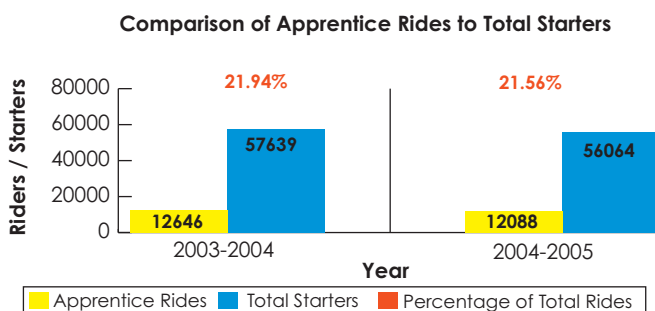
Whilst apprentice winning ride representation in the metropolitan and provincial areas is less this season than last, there is a rise in country winning rides. This is expected following graduation to jockey status of a number of city riding apprentices in the middle of the 04/05 licensing year, and the placement of an increasing number of new riders in the country regions.

As in previous years, a number of country apprentices will have attained the skills necessary to relocate to the provincial and metropolitan areas with a subsequent rise in metropolitan representation expected.

This trend illustrates the successful early training of apprentices in country regions before progressing to the more competitive Sydney riding ranks.

OVERALL RIDE SUMMARY

The overall apprentice ride summary for the 2004-2005 season is comparable with that of the 2003-2004 season. This table, includes metropolitan, provincial and country statistics, which shows that apprentices continue to average over 21% of the available race rides.



APPRENTICE JOCKEY NUMBERS

At the close of the 2004 / 2005 season there were 70 NSW resident indentured apprentice jockeys and 12 trialling riders in NSW making for a total of 82 competing riders. In addition, there were 25 stablehand / riders in training seeking to progress to probationary apprentice status providing an overall number of 105 local riders in training. A number of international apprentices are also competing in NSW.

APPRENTICE JOCKEY FORUM

A meeting was held in January 2005 with prominent trainers and jockeys to review apprentice jockey training and welfare issues. The following initiatives were identified to assist and promote the development and success of apprentice jockeys in NSW:

- An extension of indentures for up to 12 months for apprentices who have not outridden their claim (in addition to time out for injury);
- Increases to apprentice jockey wages;
- Development of, and adherence, to an apprentice code of conduct and an employer code of conduct;
- Placing of apprentices with suitable Trainers and the development of a published Criteria List for the benefit of all parties;
- An optional extension for apprentices to leave their money in a trust account by extending the current payout age from 18 to 21 years;
- Introduction of a 4kg claim for the first five winners for a new apprentice.

CLUB EMPLOYED TRACKWORK RIDER PROJECT

Project funding received from the Australian National Training Authority enabled Industry Training to develop a model that supports increasing net employment for casual workers (specifically trackwork riders) in the racing industry. The concept involves a race club employing a track rider on a part-time or full-time basis, and subcontracting the rider's services to local trainers. The club may offer additional work to the rider in the form of administration duties, track maintenance or catering roles. In March 2005 Clarence River Jockey Club (Grafton) began a trial of employing a rider on a permanent part-time basis to provide a reliable trackwork riding service for trainers.

LABOUR AGREEMENT FOR OVERSEAS TRACK RIDERS

In December 2004 Racing NSW, in conjunction with the Australian Trainers Association (NSW Branch), was successful in negotiating a Labour Agreement with the Department of Employment and Workplace Relations (DEWR) and the Department of Immigration, Multicultural and Indigenous Affairs (DIMIA) for the temporary entry and employment of overseas trackwork riders in NSW. Ten trainers have accessed the Labour Agreement in the past year. A series of qualifications for both the trainer and the rider apply, as do strict visa regulations. The initiative was well received by participating trainers, and one additional benefit for the local industry will be the mentoring of young local riders by these qualified international horsemen and women.



In NSW, an independent two-tier system of appeal exists for persons aggrieved by penalties or disabilities imposed by a racing authority.

APPEAL PANEL MEMBERS

Mr Peter Capelin QC (Principal Member)

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

EXECUTIVE FOR APPEAL PANEL

Mr P.N. V'landys, Secretary
Ms K.J. Reece, Appeals Coordinator

AVENUE OF APPEAL

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

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

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

APPEAL PANEL

The Sydney-based Appeal Panel sat on 25 occasions during 2004-2005. Mr P.R. Capelin QC chaired 23 Appeals, Mr M. Einfeld QC chaired 1 Appeal and Mr D. Campbell SC chaired 1 Appeal. Within those 25 sittings there were 28 Appeals heard on 33 individual charges. Appeals on 3 of those charges were withdrawn either prior to or at the time of hearing. The majority of these appeals were against conviction and penalty.

DECISION ON CHARGES

AREA	UPHELD	DISMISSED	WITHDRAWN	\$200 REFUNDED	TOTAL CHARGES
Appeal Panel	4	26	3	4	33

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

REPRESENTATION TABLE

	DISMISSED	UPHELD
Represented by Solicitor	14	1
Represented Self	12	3
Totals	26	4

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

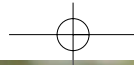
RACING APPEAL TRIBUNAL

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

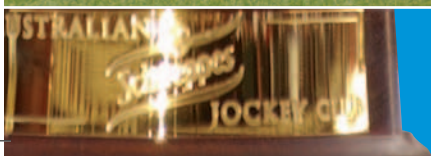
Two Appeals were lodged with the Racing Appeals Tribunal and heard by His Honour, Mr B.R. Thorley. The Tribunal dismissed both appeals and the penalties stood. The Appeals were under AR178, AR135(a) and AR135(c).

SUMMARY OF CHARGES APPLICABLE TO APPEAL CASES

RULE	DESCRIPTION	AMT
AR81A(1)(a)	Any rider commits an offence and may be punished if a sample taken from him is found upon analysis to contain the presence of a substance banned by AR81B.	1
AR135(a)	Every horse shall be run on its merits.	1
AR135(b)	The rider of every horse shall take all reasonable and permissible measures throughout the race to ensure that his horse is given full opportunity to win or to obtain the best possible place in the field.	3
AR135(c)	Any person who in the opinion of the Stewards has breached, or was a party to breaching, any portion of this Rule may be punished, and the horse concerned may be disqualified.	1
AR137(a)	Any rider may be punished if, in the opinion of the Stewards, he is guilty of careless, improper, incompetent or foul riding.	9
AR137(b)	Any rider may be punished if, he fails to ride his horse out to the end of the race.	1
AR175(f)	The Committee of any Club or the Stewards may punish; any owner, nominator, lessee, member of a syndicate, trainer, jockey, rider, apprentice, stablehand, bookmaker, bookmaker's clerk, person having official duties in relation to racing, person attendant on or connected with a horse, or any other person who refuses or fails to attend or give such evidence as directed at any inquiry or appeal when requested by the Principal Racing Authority or Stewards to do so.	1
AR175(j)	The Committee of any Club or the Stewards may punish; any person guilty of improper or insulting behaviour at any time towards the Committee of any Club or Association or any member thereof, or Stewards, or any official, in relation to their or his duties.	1
AR175(k)	The Committee of any Club or the Stewards may punish; any person who has committed any breach of the Rules, or whose conduct or negligence has led or could have led to a breach of the Rules.	1
AR175(l)	The Committee of any Club or the Stewards may punish; any person who attempts to commit, or conspires with any other person to commit, or any person who connives at or is a party to another committing any breach of the Rules.	1
AR175(o)(i)	The Committee of any Club or the Stewards may punish; any person in charge of a horse who in their opinion fails at any time to exercise reasonable care, control or supervision of a horse to prevent the commission of an act of cruelty upon the animal.	1
AR175(o)(iii)	The Committee of any Club or the Stewards may punish; any person in charge of a horse who in their opinion fails at any time to provide for veterinary treatment where such treatment is necessary for the horse.	1
AR175(q)	The Committee of any Club or the Stewards may punish; any person who in their opinion is guilty of any misconduct, improper conduct or unseemly behaviour.	6
AR178	When any horse that has been brought to a racecourse for the purpose of engaging in a race and a prohibited substance is detected in any sample taken from it prior to or following its running in any race, the trainer and any other person who was in charge of such horse at any relevant time may be punished.	3
LR42	The Stewards may refuse or reject the nomination of any horse at any time for any period or indefinitely or until such horse has trialled, barrier trialled or passed any required veterinary examination to their satisfaction.	1
LR83	No person at any race meeting, betting auditorium or registered betting office on a racecourse may carry on, or assist in carrying on, the business of a bookmaker, or act as clerk to any person carrying on such business, unless he or she holds the required licence with the Board.	1
Total		33



Class filly Fashions Afield was a model of consistency with two Group wins and two Group placings during the autumn.
Pic by Mark Smith



FINANCIAL STATEMENTS

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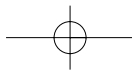
PROFIT AND LOSS

GENERAL ACTIVITIES

FOR THE YEAR ENDING 30TH JUNE, 2005

	2005	2004
	\$	\$
REVENUE		
Revenue from Operating Activities		
Sale of Goods - Publications	649,288	814,979
Sale of Services	5,444,944	5,253,454
	6,094,232	6,068,433
Revenue from Non Operating Activities		
Proceeds on Disposal of Assets	73,800	1,184,292
Interest other parties	591,981	393,238
	665,781	1,577,530
REVENUE FROM ORDINARY ACTIVITIES	6,760,013	7,645,963
EXPENDITURE		
Administration	4,814,989	5,502,708
Legal	1,422,571	427,289
Licensing	210,758	625,581
Ownership	185,449	-
Race Results	91,531	132,955
Cost of Goods Sold - Publications	452,321	839,964
Laboratory	2,429,707	2,318,078
Handicapping	328,903	339,929
Stewards	3,020,442	3,132,731
Veterinary	592,758	692,408
Syndicates	75,319	168,949
Media	161,461	164,028
Industry Training	307,696	445,078
Stakes Payments	332,688	434,253
Information Technology	887,734	1,049,923
Racing Office	427,989	377,337
Borrowing Costs	74,897	63,681
EXPENSES FROM ORDINARY ACTIVITIES	15,817,213	16,714,892
Share of net profit/(loss) of entities accounted for using the equity method	116,777	(49,549)
Reversal of share of net losses of entities disclosed in 2003/04 accounted for using the equity method	172,992	-
Reversal of gain on disposal of share of Registrar of Racehorses disclosed in 2003/04 following rescission of participation in RISA	(1,050,000)	-
First Charge	8,293,000	10,339,857
Surplus after applying First Charge	(1,524,431)	1,221,379
Appearance Fees disbursed during the year, recouped through a charge on TAB funding	5,979,000	-
BOBS charge on TAB funding	4,000,000	3,500,000

This purpose of this statement is to provide additional information and does not form part of the audited financial statements.



PROFIT AND LOSS



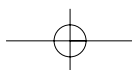
WORKERS COMPENSATION FUND FOR THE YEAR ENDED 30TH JUNE, 2005

	2005	2004
	\$	\$
REVENUE		
Revenue from Operating Activities		
Workers Comp Premiums/Charges	8,697,635	9,122,761
	8,697,635	9,122,761
Revenue from Non Operating Activities		
Movement in net market value of Land and Buildings integral to insurance activities	96,000	106,500
Interest other parties	203,295	183,235
Movement in the market value of investments integral to insurance activities	1,783,343	1,445,094
	2,082,638	1,734,829
REVENUE FROM ORDINARY ACTIVITIES	10,780,273	10,857,590
EXPENDITURE		
Workers Compensation Payments and Provisions	8,046,073	4,786,231
Workers Compensation Administrative & Regulatory	1,595,900	1,835,693
Borrowing Costs	83,566	84,896
EXPENSES FROM ORDINARY ACTIVITIES	9,725,539	6,706,820
PROFIT FROM ORDINARY ACTIVITIES	1,054,734	4,150,770



'Horse of the Year' Grand Armeé wins the Gr 2-Apollo Stakes at Royal Randwick

This purpose of this statement is to provide additional information and does not form part of the audited financial statements.

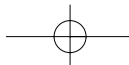


STATEMENT OF FINANCIAL PERFORMANCE

RACING NSW ABN 86 281 604 417
FOR THE YEAR ENDING 30TH JUNE, 2005

	Note	2005 \$	2004 \$
REVENUE			
Revenue from Operating Activities			
Sale of Goods - Publications	6(i)	649,288	814,979
Sale of Services	6(ii)	5,444,944	5,253,454
Workers Compensation Fund Premiums & Revenues	6(iii)	8,697,635	9,122,761
First Charge	6(iv)	8,293,000	10,339,857
Appearance Fee Receipts	6(v)	5,979,000	-
		29,063,867	25,531,051
Revenue from Non Operating Activities			
Proceeds on Disposal of Assets	6(vi)	73,800	1,184,292
Movement in net market value of Land and Buildings integral to insurance activities		96,000	106,500
Interest other parties	6(vii)	795,276	576,472
Movement in the market value of investments integral to insurance activities		1,783,343	1,445,094
		2,748,419	3,312,358
REVENUE FROM ORDINARY ACTIVITIES		31,812,286	28,843,409
EXPENDITURE			
Administration	6(viii)	4,814,989	5,502,708
Legal	6(ix)	1,422,571	427,289
Licensing	6(x)	210,758	625,581
Ownership	6(xi)	185,449	-
Race Results	6(xii)	91,531	132,955
Cost of Goods Sold - Publications	6(xiii)	452,321	839,964
Laboratory	6(xiv)	2,429,707	2,318,078
Handicapping	6(xv)	328,903	339,929
Stewards	6(xvi)	3,020,442	3,132,731
Veterinary	6(xvii)	592,758	692,408
Syndicates	6(xviii)	75,319	168,949
Media	6(xix)	161,461	164,028
Industry Training	6(xx)	307,696	445,078
Stakes Payments	6(xxi)	332,688	434,253
Information Technology	6(xxii)	887,734	1,049,923
Racing Office	6(xxiii)	427,989	377,337
Appearance Fee (unplaced starters)	6(xxiv)	5,979,000	-
Insurance	6(xxv)	9,641,973	6,621,924
Borrowing Costs	6(xxvi)	158,463	148,576
Reversal of gain on disposal of share of Registrar of Racehorses disclosed in 2003/04 following rescission of participation in RISA	6(xxvii), 1(q)	1,050,000	-
EXPENSES FROM ORDINARY ACTIVITIES		32,571,752	23,421,711
Share of net profit/(loss) of entities accounted for using the equity method		289,769	(49,549)
(Loss)/Profit from Ordinary Activities before Income Tax	6(xxviii)	(469,697)	5,372,149
Income Tax Expense Relating to Ordinary Activities		-	-
Net (Loss)/Profit from Ordinary Activities after Income Tax		(469,697)	5,372,149
Total changes in equity other than those resulting from transactions with owners as owners	22	(469,697)	5,372,149

The accompanying notes form part of these financial statements



STATEMENT OF FINANCIAL POSITION



RACING NSW ABN 86 281 604 417
AS AT 30TH JUNE, 2005

	Note	2005	2004
		\$	\$
CURRENT ASSETS			
Cash Assets	8	12,808,316	8,309,099
Receivables	9	12,116,719	9,339,266
Other Assets	10	27,219	151,207
Total Current Assets		24,952,254	17,799,572
NON-CURRENT ASSETS			
Investments accounted for using the equity method	11	174,563	4,565,632
Other Financial Assets	12	13,918,616	12,135,273
Investment in Land and Buildings	13	3,936,000	3,840,000
Plant & Equipment	14	2,919,145	3,346,268
Total Non-current Assets		20,948,324	23,887,173
Total Assets		45,900,578	41,686,745
CURRENT LIABILITIES			
Payables	15	8,669,824	5,845,410
Breeders and Owners Bonus Scheme	16	7,186,697	5,631,252
Provisions	17	1,194,585	1,172,194
Workers Compensation Provisions	18	5,217,500	5,422,253
Other	19	1,500,050	1,221,245
Non Interest Bearing Loans	20	-	3,337,378
Total Current Liabilities		23,768,656	22,629,732
NON-CURRENT LIABILITIES			
Provisions	17	585,919	506,866
Workers Compensation Provisions	18	19,208,500	15,742,947
Total Non-current Liabilities		19,794,419	16,249,813
Total Liabilities		43,563,075	38,879,545
Net Assets		2,337,503	2,807,200
EQUITY			
Industry Distribution Reserve	21	1,981,610	-
Accumulated Surplus	22	355,893	2,807,200
Total Equity		2,337,503	2,807,200

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30TH JUNE 2005

CASH FLOW FROM OPERATING ACTIVITIES

Receipts from Customers		29,854,543	26,226,410
Payments to suppliers and employees		(25,964,906)	(22,155,255)
Interest and Investment Earnings Received		795,277	576,473
Borrowing Costs		(158,463)	(148,576)
Net Cash provided by Operating Activities	7(b)	4,526,451	4,499,052

CASH FLOW FROM INVESTING ACTIVITIES

Payments for property, plant and equipment		(682,157)	(1,012,299)
Payments for interest in associated entities (RISA)		-	(293,460)
Proceeds from sale of plant and equipment		73,800	134,292
Loans from related parties		581,123	293,752
Net Cash (used in) Investing Activities		(27,234)	(877,715)

Net Increase in Cash

		4,499,217	3,621,337
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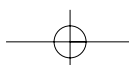
Cash at the beginning of the Financial Year

		8,309,099	4,687,762
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Cash at the end of the Financial Year

7(a)	12,808,316	8,309,099
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The accompanying notes form part of these financial statements



NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2005

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

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

The financial report covers Racing NSW (formerly NSW Thoroughbred Racing Board).

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

The following is a summary of the material accounting policies adopted by Racing NSW in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

a) Property, Plant and Equipment

Property, plant and equipment are measured on the cost basis. The carrying amount of property, plant and equipment is reviewed annually by directors 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 recoverable amounts.

b) Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives to Racing NSW commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to depreciation. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of asset are:

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

c) Leases

Leases of fixed assets are classified as finance leases where substantially all the risks and benefits incidental to the ownership of the asset but not the legal ownership, are transferred to Racing NSW. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that Racing NSW will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

d) Investments

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by the Members of Racing NSW to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

Investments integral to Racing NSW's insurance activities, including investments in land and buildings are measured at net market values at the reporting date. Changes in net market value of such investments are recognised as revenues or expenses in the financial year in which the changes occur.

e) Receivables

All trade debtors are recognised at the amounts receivable and are due for settlement no more than 30 days from the date of recognition.

Recoverability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

f) Investments in Associates

Investments in associates are recognised in the financial statements by applying the equity method of accounting.

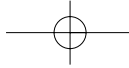
g) Foreign Currency Transactions and Balances

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at the balance date are converted at the rates of exchange ruling at that date. The gains and losses from conversion of short term assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

h) Employee Benefits

Provision is made for Racing NSW's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by Racing NSW to accumulation employee superannuation funds and are charged as expenses when incurred.



NOTES



TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2005

A liability in respect of defined benefit superannuation is recognised in the provision for employee benefits, and is measured as the difference between the present value of employee's accrued benefits at the reporting date and the net market value of the superannuation fund's assets at that date. The present value of accrued benefits is based on expected future payments which arise from membership of the fund to the reporting date. Consideration is given to expected future wage and salary levels, experience of employees departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms of maturity and currency that match, as closely as possible, the estimated future cash outflows. The amount charged to the statement of financial performance in respect of superannuation represents the contributions made by Racing NSW to the superannuation fund, adjusted by the movement in the liability.

i) Cash

For the purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

j) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

k) Trade, Stakes payments and other creditors

These amounts represent liabilities for goods and services provided to Racing NSW prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

l) Breeders and Owners Bonus Scheme

Racing NSW administers the Breeders and Owners Bonus Scheme ("BOBS"). BOBS is an incentive scheme designed to develop the NSW racing and breeding industry. Stallions standing in New South Wales and their progeny conceived in New South Wales are eligible to be nominated for the scheme. Stallion owners pay a fee to nominate their stallion to participate in BOBS. Owners of eligible progeny of participating stallions also pay nomination fees in respect of each eligible progeny which participates in the scheme. Racing NSW supplements the scheme funds with contributions from the TAB distribution. Where a participating progeny of a participating stallion wins a race at a registered meeting in New South Wales, a BOBS bonus is paid to the owners of the horse and of the stallion according to published criteria. Owners may supplement the amount of the bonus by electing to credit the bonus towards the purchase of BOBS eligible yearlings at designated sales rather than receive a cash payment. A management fee is applied to cover the costs of administering BOBS. Any deficit in the funds allocated to BOBS as at the end of a financial year is covered by increasing the funding to BOBS in the next financial year. Any surplus at the

end of a financial year is carried forward to be applied under the scheme in future periods.

m) Workers Compensation Insurance

Premiums received are recognised from the attachment date and are measured over the period of insurance in a pattern in accordance with the incidence of risk. Liabilities for outstanding claims are recognised for direct and inwards reinsurance business and measured as the present value of expected future payments.

n) Goods and Services Tax (GST)

Revenues and expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the costs of the acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

o) Comparative Figures

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

p) Non-Current Assets

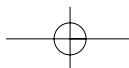
The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The recoverable 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 recoverable amounts. The write-down is recognised in the statement of financial performance in the reporting period in which it occurs.

q) RISA

On 26 November 2003, Racing NSW signed a number of transaction agreements relating to the establishment of Racing Information Services Australia Pty Limited ("RISA"). Those transaction documents provided, amongst other things, for:

1. Racing NSW to sell its 42% stake in the Registrar of Racehorses to RISA at a sale price of \$1,050,000 (Note 6(xxvii)).
2. Racing NSW to obtain an investment in RISA, which was assessed at \$4,680,838.
3. Racing NSW to have net funding commitments to RISA of \$3,337,378.
4. Racing NSW to recognise equity accounted profit or losses of RISA from 2004 and not recognise profit or losses in Registrar of Racehorses.

On 10 September 2004, Racing NSW gave notice rescinding the RISA transaction agreements on the basis of what Racing NSW maintains were misrepresentations of certain crucial matters. RISA advised that it does not accept the notice of rescission and disputes Racing NSW's right to rescind the agreements. Detailed below is the impact of this rescission on the 2005 Accounts.



NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2005

IMPACT OF RISA ADJUSTMENTS

Loss from ordinary activities	\$ (469,697)
RISA equity accounted loss 2004	(115,206)
Registrar of Racehorses equity accounted profit pre RISA transaction	65,657
Registrar of Racehorses equity accounted profit 2004	(123,443)
Registrar of Racehorses equity accounted profit 2005	(116,777)
Reversal of gain on disposal from 2004	1,050,000
Profit from ordinary activities 2005 excluding RISA rescission	<u>290,534</u>
Effect on Statement of Financial Position if rescission did not prove valid	
Increase in loan liability	(3,337,378)
Increase in investment in associate	4,680,838
Decrease in receivable from RISA	(293,460)
Equity accounted gain brought to account	(289,769)
Movement in net assets	<u>760,231</u>

The amount of equity accounting profit or loss for RISA for 2005 is not include above.

Racing NSW maintains that it has validly rescinded the RISA transaction agreements and has acted consistently with that position since giving the notice of rescission.

Negotiations on a "without prejudice" basis to seek to resolve RISA's dispute over the validity of Racing NSW's notice of rescission and other matters have been, and continue, to be held. However as at the date of this financial report no settlement has been finalized.

Accordingly this financial report has been prepared consistently with Racing NSW's position that during the financial year it validly rescinded the RISA transaction agreements.

In the event the rescission does not prove valid, the reversal of transactions in points 1 to 4 above that have been affected in this financial report will revert. The impact of such a reversion on the Statement of Financial Performance would be to remove the \$1.05m reversal of gain on disposal of Registrar of Racehorses, remove the equity accounted gains of \$116,777 and remove the reversal of equity accounted losses of \$172,992, totalling \$289,769 disclosed therein.

r) Going Concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal activities and the realisation of assets and settlement of liabilities in the normal course of business. At 30 June 2005, Racing NSW has a net asset surplus of \$2,337,503 (2004: \$2,807,200). The Members of the Board of Racing NSW are of the opinion that Racing NSW will continue to be able to pay its debts as and when they fall due on the basis that the Intra-code Agreement allows Racing NSW to levy an administration charge on wagering receipts received from TAB Limited (Tabcorp Holdings Ltd).

NOTE 2: CONSOLIDATED OPERATIONS

Racing NSW - Administration includes the administrative functions of Racing NSW in accordance with the Thoroughbred Racing Act 1996. Racing NSW provides the independent integrity functions of the NSW Thoroughbred Racing Industry including Licensing, Stewards, Veterinary and Laboratory. In addition it provides the co-ordination of the NSW thoroughbred racing industry including race programming, stakes payments and industry training. Also included are Racing Colours Registration, NSW Racing Magazine, Syndicates, Leases and Transfers and the Racing NSW Insurance Fund separately. The consolidated results encompass all divisions noted above.

NOTE 3: INCOME TAX

Racing NSW being a non-profit organisation established for the promotion of thoroughbred racing is exempt from Income Tax pursuant to the provisions of Section 50-45 of the Income Tax Assessment Act (1997), as amended.

NOTE 4: ECONOMIC DEPENDENCY

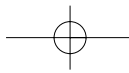
Racing NSW received 26.1% (2004: 35.80%) of its income via a First Charge on the distribution of wagering receipts to the Thoroughbred Racing Industry. This distribution is governed by the NSW Racing Distribution Agreement as entered into by NSW Racing Pty Limited (Racingcorp) and Tab Limited. Consequently, Racing NSW is economically dependent on Tab Limited (Tabcorp Holdings Ltd).

NOTE 5: EVENTS SUBSEQUENT TO BALANCE DATE

There are no circumstances that have arisen since the end of the financial year which will significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

NOTE 6: STATEMENT OF FINANCIAL PERFORMANCE

- (i) Sale of Goods - Publications income is derived from the sale of advertising space in the NSW Racing magazine as well as subscriptions to NSW Racing magazine by industry participants and customers.
- (ii) Sale of Services - represents income derived from the sale of services to the racing industry - including stewards, handicapping, laboratory, veterinary, race results, syndicates and stakes payments.
- (iii) Workers Compensation Fund Premiums & Revenues represents premiums, charges and other revenues of the Racing NSW Workers Compensations Fund other than those disclosed elsewhere in the Statement of Financial Performance.
- (iv) First Charge represents a charge to the industry based on the budgeted expenditure for the year.
- (v) Appearance Fee Receipts represents a charge to the industry based on expected starters, to fund a \$200 per starter payment to the owners of all horses not receiving prizemoney. These payments commenced for the first time from 1 August 2004.



NOTES

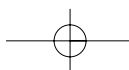


TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2005

- (vi) Proceeds on Disposal of Assets represents amounts received on sale or trade in of assets.
- (vii) Interest - represents investment earnings and interest income, excluding movements in the value of managed funds and property.
- (viii) Administration/Executive expenses represent the administrative costs of Racing NSW including executive, finance, property, human resources, appeals, consultants as well as support to the Provincial Association and Racing NSW Country (from 1 July 2004).
- (ix) Legal represents the cost of managing legal matters and litigation, including staff costs and external representation.
- (x) Licensing expenditure represents staff and office costs associated with the derivation of this income stream.
- (xi) Ownership expenditure represents the costs of Racing NSW's 'Operation Ownership'.
- (xii) Race Results Expenditure represents staff, consultants and office costs associated with the deriving of income for the provision of race result information.
- (xiii) Publications expenditure includes staff and office costs as well as all production, distribution and selling costs.
- (xiv) Laboratory expenditure includes staffing, depreciation of capital expenditure, consumables and occupancy costs.
- (xv) Handicapping expenditure includes staff and office costs.
- (xvi) Stewards expenditure includes staffing costs, shorthand writers, office costs as well as the costs associated with the Broadmeadow office.
- (xvii) Veterinary expenditure includes staff, research horses, consumables and office costs.
- (xviii) Syndicates expenditure includes staffing and office costs.
- (xix) Media costs include staff, participation in national advertising, promotional activities and monitoring of media.
- (xx) Industry Training expenditure represent staffing costs as well as educational costs associated with the training of apprentice jockeys.
- (xxi) Stakes Payments costs include staffing, consultants, system development, bank charges and office costs.
- (xxii) Information Technology represents the cost of providing an IT platform to Racing NSW and supporting staff costs.
- (xxiii) Racing Office represents the cost of coordinating race dates and programming throughout NSW. Also includes payments to the trainer service centre \$245,149 (2004: \$232,736) that deals direct with trainers on matters such as accepting nominations & scratchings.
- (xxiv) Appearance fees are a \$200 per starter payment to the owners of all horses not receiving prizemoney. These payments commenced for the first time from 1 August 2004.
- (xxv) Workers Compensation Insurance Fund. This Fund is designed to provide workers compensation insurance cover for employees of NSW Racing Clubs, Associations, owners and trainers of racehorses against liability relating to injury, loss or damage either sustained or caused by jockeys, apprentices, stable hands, workers, servants, employees or agents in their employment or acting on their behalf pursuant to NSW Workcover legislation. In July 2000 Racing NSW signed a service contract with ASWIG Pty Limited. This contact specified that ASWIG were to provide to Racing NSW management services in relation to the insurance fund. From 1 July 2005, this Fund will be managed by QBE Insurance.
- (xxvi) Borrowing costs include interest expense, bank charges and bank guarantee fees.
- (xxvii) Reversal of gain on disposal of share of Registrar of Racehorses disclosed in 2003/04 following rescission of participation in RISA
- (xxviii) (Loss)/Profit from Ordinary Activities.

The result from ordinary activities has been determined after:

Description of Expense	2005	2004
	\$	\$
Borrowing Costs		
- Other parties	158,463	148,576
Total Borrowing Costs	158,463	148,576
Depreciation of non-current assets		
- Property, plant and equipment	1,072,420	1,188,015
Total Depreciation	1,072,420	1,188,015
Bad and Doubtful Debts		
- Trade Debtors	98,870	123,162
Total Bad and Doubtful Debts	98,870	123,162
Rental Expense on Operating Leases	348,622	261,576
	348,622	261,576
Gain/(Loss) on disposal of non-current assets		
- Property, Plant and Equipment	36,939	26,528
- Interest in Associated Entity (Registrar of Racehorses)	(1,050,000)	1,050,000
Total Gain/(Loss) on disposal of non-current assets	(1,013,061)	1,076,528
Remuneration of Auditor		
- audit	50,000	80,173
- other services	-	20,160
Total Remuneration of Auditor	50,000	100,333
Individually Significant Items:		
Increase/(Decrease) in Provision relating to Insurance Claims Liability as recommended by the Actuary	3,260,800	(148,750)



NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2005

Note 6 contd.

Racing NSW has included in its trade debtors amounts owed by race clubs for amounts billed for public liability claims made not covered by insurance due to the collapse of the then

underwriter HIH Insurance. Racing NSW has chosen to provide for the loss of these amounts where there is a strong possibility, subject to further advice, that the settlements will become a liability of its Workers Compensation Fund.

NOTE 7: RECONCILIATION OF CASH FLOW

a) Reconciliation of Cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the balance sheet as follows: -

	2005	2004
	\$	\$
Cash	12,808,316	8,309,099
Cash	12,808,316	8,309,099

As at 30 June 2005, Racing NSW has credit facilities in place with a limit of \$110,000 (2004: \$100,000) with an amount of \$110,000 (2004: \$100,000) undrawn at the balance date. The limit of these credit facilities are subject to periodic review.

b) Reconciliation of Cash Flow from Operating Activities

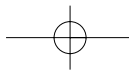
Operating profit after income tax	(469,697)	5,372,149
(Profit) on sale of non-current assets	(36,939)	(1,076,528)
Reversal of Profit on Sale of Assets arising from RISA rescission	1,050,000	-
Increase in Leave Provisions	101,444	232,907
Depreciation expense	1,072,420	1,188,015
Share of net (profit)/loss of associated entity	(289,769)	115,206
Unrealised (surplus) on investment	(1,783,343)	(1,445,094)
Gain on revaluation of Land and Buildings	(96,000)	(106,500)
Net Cash provided/(used) by operating activities before changes in assets and liabilities	(451,884)	4,280,156
Change in assets and liabilities		
(Increase)/decrease in trade debtors	1,291,740	(2,028,107)
Decrease in prepayments	123,988	7,700
(Increase) in Stakes Payment debtors	(3,438,592)	(914,508)
(Increase)/decrease in other debtors	(699,494)	233,662
Increase in trade creditors	3,001,400	3,957,643
(Decrease) in Stakes Payment Creditors	1,446,683	(1,131,105)
Increase/(decrease) in sundry creditors and accruals	(8,190)	242,361
(Decrease) in Insurance Claims Provision	3,260,800	(148,750)
	4,978,335	218,896
Cash Flows from Operating Activities	4,526,451	4,499,052

NOTE 8: CASH ASSETS

CASH

Cash at Bank	8,312,466	4,327,278
Cash on Deposits	4,495,850	3,981,821
Total Cash Assets	12,808,316	8,309,099

The deposits bear floating interest rates between 5.10% and 5.36% (2004: 4.75% and 5.1%). Cash at bank bears interest at 5.25% (2004: 3.85%). The deposits at call are pledged as security for the ANZ Bank Guarantee to Workcover (Note 18).



NOTES



TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2005

NOTE 9: RECEIVABLES

	2005	2004
	\$	\$
Trade Debtors	1,473,098	2,676,817
Provision for Doubtful Debts	(244,984)	(156,963)
Sundry Debtors	2,138,327	1,149,126
Amounts receivable from associated entities		
- Racing NSW Country	1,913,776	997,386
- Registrar of Racehorses	322,838	300,453
- NSW Racing Pty Ltd	-	1,059,616
- Australian Racing Board Ltd	-	241,512
- Stakes Payment Debtors	6,457,431	3,018,839
Bank Guarantee	56,233	52,480
Total Receivables	12,116,719	9,339,266

Racing NSW undertakes accounting support for Racing NSW Country Ltd, Registrar of Racehorses, Racing NSW Insurance Fund, NSW TRB Group Training Company Limited, NSW Racing Pty Limited (RACINGCORP) and the Australian Racing Board Limited. Amounts disclosed above as receivable from other entities are payable to Racing NSW by these entities for expenses paid on their behalf. These are summarised as follows:

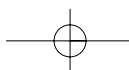
	Expenses Paid on behalf of entity	Receipts taken on behalf of entity
	\$	\$
- Racing NSW Country Ltd	61,889,367	60,972,977
- Registrar of Racehorses	1,530,840	1,508,455
- NSW Racing Pty Ltd (Racingcorp)	1,575,239	2,765,590
- Australian Racing Board Ltd	2,966,354	3,295,901

NOTE 10: OTHER CURRENT ASSETS

Prepayments	27,219	151,207
Total Other Assets	27,219	151,207

NOTE 11: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of Entity	Principal Activity	Balance Date	Ownership Interest 2005	Ownership Interest 2004	Voting Power	
					2005	2004
Racing Information Services Australia Pty Limited	Maximising benefits of racing information	31/7/2004	-%	-%	-%	-%
Movements in carrying amounts			2005	2004		
			\$	\$		
At beginning of financial year			4,565,632	-		
Investment during year			-	4,680,838		
Reversal of Investment on rescission of participation			(4,680,838)	-		
Share of operating loss after income tax			-	(115,206)		
Reversal of share of operating loss (2004) after income tax on rescission of participation			115,206	-		
At end of financial year			-	4,565,632		



NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2005

NOTE 11: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT'D)

Name of Entity	Principal Activity	Balance Date	Ownership Interest 2005	Ownership Interest 2004
Registrar or Racehorses	Registration of Racehorses in Australia	30/6/2005	\$ 42%	\$ 42%
Movements in carrying amounts		2005		2004
		\$		\$
At beginning of financial year		-		-
Investment during year		-		-
Share of operating profit after income tax (2005 being for the period 26 November 2003 to 30 June 2005)		174,563		65,657
Receipts from Registrar of Racehorses		-		(65,657)
At end of financial year		174,563		-

On 10 September 2004 Racing NSW gave notice unilaterally rescinding all Racing Information Services Australia Pty Ltd (RISA) transactions, including the RISA participation agreement dated 26 November 2003 on the basis of what Racing NSW maintains were misrepresentations of certain crucial matters. The disclosure above reflects the economic affect of this rescission.

NOTE 12: OTHER FINANCIAL ASSETS

	2005	2004
	\$	\$
ANZ Wholesale Investment Trust	13,918,616	12,135,273
Total Financial Assets	13,918,616	12,135,273

The ANZ Wholesale Investment Trust is mortgaged to the ANZ Bank and acts as security for the ANZ Bank Guarantee to Workcover (Note 18).

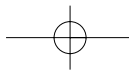
NOTE 13: INVESTMENT IN LAND AND BUILDINGS

	2005	2004
Land and buildings at net market value	3,936,000	3,840,000
Total Land and Buildings	3,936,000	3,840,000

The Baxter Road property is mortgaged to the ANZ Bank and acts as security for the ANZ Bank Guarantee to Workcover (Note 18). The valuation was prepared on the basis of Net Market Value as defined by the Australian Property Institute in a report dated 3 August 2005. The 2005 valuation at net market value was based on an independent assessment by Colliers International, a member of the Australian Property Institute.

NOTE 14: PLANT & EQUIPMENT

Plant and Equipment - at cost	6,044,258	5,507,328
Less accumulated depreciation	3,125,113	2,161,060
Total Plant & Equipment	2,919,145	3,346,268
Movements in carrying amounts		
Balance at beginning of the year	3,346,268	3,629,748
Additions	682,158	1,012,299
Disposals	(36,861)	(107,764)
Depreciation Expense	(1,072,420)	(1,188,015)
Carrying amount at the end of the year	2,919,145	3,346,268



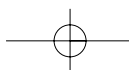
NOTES



TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2005

NOTE 14: PLANT & EQUIPMENT (CONT'D)

	2005	2004
Plant and equipment above is comprised of the following categories.		
LABORATORY EQUIPMENT		
Laboratory Equipment - at cost	1,772,353	1,454,421
Less accumulated depreciation	887,423	566,085
Total Plant & Equipment	884,930	888,336
Movements in carrying amounts		
Balance at beginning of the year	888,336	521,302
Additions	317,932	607,076
Disposals	-	-
Depreciation Expense	(321,338)	(240,042)
Carrying amount at the end of the year	884,930	888,336
BUILDING FIT-OUT, FURNITURE & FITTINGS		
Building Fit-out, Furniture & Fittings - at cost	1,346,909	1,346,909
Less accumulated depreciation	404,089	269,393
Total Plant & Equipment	942,820	1,077,516
Movements in carrying amounts		
Balance at beginning of the year	1,077,516	1,209,227
Additions	-	3,318
Disposals	-	-
Depreciation Expense	(134,696)	(135,029)
Carrying amount at the end of the year	942,820	1,077,516
OFFICE & OTHER EQUIPMENT		
Office & Other Equipment - at cost	2,075,326	1,942,648
Less accumulated depreciation	1,547,384	1,102,090
Total Plant & Equipment	527,942	840,558
Movements in carrying amounts		
Balance at beginning of the year	840,558	1,352,281
Additions	132,678	142,572
Disposals	-	(267)
Depreciation Expense	(445,294)	(654,027)
Carrying amount at the end of the year	527,942	840,558
MOTOR VEHICLES		
Motor Vehicles - at cost	849,670	763,350
Less accumulated depreciation	286,217	223,492
Total Plant & Equipment	563,453	539,858
Movements in carrying amounts		
Balance at beginning of the year	539,858	546,938
Additions	231,548	259,333
Disposals	(36,861)	(107,497)
Depreciation Expense	(171,092)	(158,917)
Carrying amount at the end of the year	563,453	539,858



NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2005

NOTE 15: PAYABLES

PAYABLES	2005	2004
Trade Creditors	1,866,687	420,732
Other Creditors and Accruals	788,025	1,054,236
Amounts payable to associated entities		
- NSW Racing Pty Ltd	130,734	-
- Australian Racing Board Ltd	88,036	-
Stakes Payments Creditors	5,394,159	3,947,476
Benevolent Fund	402,183	422,966
Total Payables	8,669,824	5,845,410

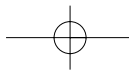
Stakes Payments Creditors represent balances on industry participant accounts that are due to be paid out. Benevolent Fund is an amount held in trust to be applied to eligible industry participants under significant financial hardship.

NOTE 16: BREEDERS AND OWNERS BONUS SCHEME

	2005	2004
Breeders and Owners Bonus Scheme	7,186,697	5,631,252
Total Payables	7,186,697	5,631,252

NOTE 17: PROVISIONS FOR EMPLOYEE BENEFITS

PROVISIONS FOR EMPLOYEE BENEFITS	2005	2004
Current		
Employee Leave Entitlements	1,194,585	1,172,194
Total Current	1,194,585	1,172,194
Non-Current		
Employee Leave Entitlements	585,919	506,866
Total Non-Current	585,919	506,866
Total Provisions for Employee Benefits	1,780,504	1,679,060
17a) Aggregate Employee Benefit Liability		
Provision for employee benefits - current	1,194,585	1,172,194
Provision for employee benefits - non-current	585,919	506,866
Included on Other creditors and accruals	58,117	76,599
Aggregate Employee Benefit Liability	1,838,621	1,755,659
17b) Number of employees at balance date	79	81
Movements in Annual Leave and Long Service Leave Provisions		
Movement in Annual Leave Provision		
Balance of Annual Leave	755,146	733,637
Increase in Annual Leave	88,666	21,509
Closing Balance of Annual Leave	843,812	755,146
Movement in Long Service Leave Provision		
Opening Balance of Long Service Leave	598,099	712,515
Increase/(decrease) in Long Service Leave	21,103	(114,416)
Closing Balance of Long Service Leave	619,202	598,099
Superannuation Fund		
A number of employees of Racing NSW are entitled to benefits on retirement, disability or death from Racing NSW Superannuation Plan. The fund provides defined lump sum benefits based on years of service and final average salary. Information relating to the fund based on the latest target funding reports as at 27 July 2004 are set out below.		
Present value of employees accrued benefits	2,933,030	2,933,030
Net market value of assets held by the fund to meet future benefit payments	2,607,215	2,607,215
Adjustment for known shortfall made on 30 June 2005	(8,325)	-
Excess of the present value of employees accrued benefits over assets held to meet future benefit payments	317,490	325,815



NOTES



TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2005

NOTE 18: PROVISIONS FOR WORKERS COMPENSATION INSURANCE LIABILITIES

PROVISIONS FOR WORKERS COMPENSATION INSURANCE LIABILITIES

	2005	2004
Current		
Provision for Insurance Outstanding Claims	5,217,500	5,422,253
Total Current	5,217,500	5,422,253
Non-Current		
Provision for Insurance Outstanding Claims	19,208,500	15,742,947
Total Non-Current	19,208,500	15,742,947
Provisions for Workers Compensation Insurance Liabilities	24,426,000	21,165,200
Movements in Workers Compensation Provisions		
Opening Balance of Workers Compensation Provision	21,165,200	21,313,750
Increase/(decrease) in Workers Compensation Provision	3,260,800	(148,550)
Closing Balance of Workers Compensation Provision	24,426,000	21,165,200

Provision for Insurance Outstanding Claims

An actuarial valuation of the Insurance Fund's outstanding claims was performed by independent actuaries McMahon Actuarial Services as at June 30 2005. The ANZ Bank has issued guarantees amounting to \$20,340,000 in favour of Workcover Authority of NSW. This guarantee is required under the terms of Racing NSW's insurance licence. In accordance with actuarial recommendations Racing NSW has provided for a prudential margin of 25% (2004 - 25%) of the central estimate of liabilities in recognition of the uncertainty of future estimates and the inherent variability of conditions affecting future claim payments.

NOTE 19: OTHER

	2005	2004
Current		
Deferred income	1,500,050	1,221,245
Total Other Liabilities	1,500,050	1,221,245

Monies received by Racing NSW at the balance date for products or services not yet provided are classified as deferred income. These items include subscriptions received for registration of racing colours, license fees, Workers Compensation Insurance premiums and subscriptions to NSW Racing magazine.

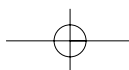
NOTE 20: NON INTEREST BEARING LIABILITIES

	2005	2004
Loan repayable to RISA	-	3,337,378
Total Non Interest Bearing Liabilities	-	3,337,378

On 10 September 2004 Racing NSW gave notice unilaterally rescinding all Racing Information Services Australia Pty Ltd (RISA) transactions, including the RISA participation agreement dated 26 November 2003 on the basis of what Racing NSW maintains were misrepresentations of certain crucial matters. The participation was to be funded partly by a non-interest bearing loan from RISA. The disclosure above reflects the economic affect of this rescission.

NOTE 21: RESERVES

	2005	2004
The following reserve has been set aside in accordance with resolution of the Racing NSW and is a commitment to distribute funds to the industry as disclosed below.		
Reserves		
Industry Distribution Reserve	1,981,610	-
Total Reserves	1,981,610	-



NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2005

NOTE 21: RESERVES (CONT'D) MOVEMENT IN RESERVES

		2005	2004
Industry Distribution Reserve			
Balance at the beginning of the year		-	-
Transfers from retained earnings	22	1,981,610	-
Balance of reserve at the end of the year		1,981,610	-
Total Reserves		1,981,610	-

The Industry Distribution Reserve represents monies that have progressively been accumulated by Racing NSW from its operation since its inception, to fund the general activities segment. The Board of Racing NSW has resolved to distribute these funds to the industry by reducing its first charge on the industry during the year ended 30 June 2006.

It is the strict intention of Racing NSW to fully expend the balance of the Industry Distribution Reserve for the purpose for which it was established. Amounts set aside in the reserve will not be used by Racing NSW for any purpose other than a distribution to the industry as outlined above.

NOTE 22: ACCUMULATED SURPLUSES/LOSSES RETAINED PROFITS

		2005	2004
Accumulated surplus/(losses) at beginning of the financial year		2,807,200	(2,564,949)
Net profit from Ordinary Activities after income tax		(469,697)	5,372,149
Transfers (to) Industry Distribution Reserve		(1,981,610)	-
Accumulated surplus at end of the financial year		355,893	2,807,200

NOTE 23: CAPITAL AND LEASING COMMITMENTS OPERATING LEASE COMMITMENTS

		2005	2004
Non-cancellable operating lease contracted for but not capitalised in the Financial Statements			
- Payable not later than one year		58,410	62,914
- Payable later than one year, but not later than five years		37,178	67,906
Total Operating Lease Commitments		95,588	130,820
CAPITAL PROJECTS EXPENDITURE			
- Payable not later than one year		-	29,986
Total Capital Expenditure Commitments		-	29,986

NOTE 24: CONTINGENT LIABILITIES

Racing NSW organises public liability insurance on behalf of all racing bodies including race clubs in the NSW racing industry. The insurance is placed through a Captive Fund participated in by the racing industries of NSW, Victoria and Queensland. Under the Captive Fund, participating states are liable for claims up to \$2 million with reinsurance responsible for claims beyond this amount. At balance date, the fund had assets net of liabilities and provisions amounting to \$911,642 (2004: \$517,042). While it is not envisaged, any shortfall due to underperformance would be shared among participating bodies and race clubs in NSW.

Racing NSW is not aware of any material contingent liabilities which are required to be disclosed in these financial statements, other than the guarantees provided by the ANZ Bank in favour of Workcover Authority of NSW amounting to \$20,340,000 (2004: \$21,193,000) at balance date, against a facility of \$21,200,000 (2004 : \$21,200,000). Unused facilities at balance date amount to \$860,000 (2004: \$7,000).

Assets pledged as security.

The carrying amounts of assets pledged as security for the financial guarantees issued by the ANZ Bank in favour of

Workcover are set out in note 8, 12 and 13.

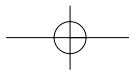
A registered mortgage debenture over all the assets of Racing NSW is held by the ANZ Bank.

The deposits at call are pledged as security for the ANZ Bank Guarantee to Workcover.

Racing NSW has rescinded its involvement in Racing Information Services Australia Pty Ltd (RISA). This rescission included the reversal of a loan in the amount of \$3,337,378. In the event the rescission does not prove valid, the reversal of the aforementioned loan will revert bringing a loan liability of \$3,337,378 into the Statement of Financial Performance.

NOTE 25: ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL REPORTING STANDARDS

For years commencing on or after 1 July 2005, all general purpose financial reports will be required to comply with Australian equivalents to International Financial Reporting Standards (AIFRSs) instead of Australian Accounting Standards presently on issue.



NOTES



TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2005

NOTE 25: ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL REPORTING STANDARDS (CONT'D)

Comparative financial statements must also be presented in accordance with Australian equivalents to IFRSs for the year ending 30 June 2005 with transition adjustments made retrospectively against opening balances of retained earnings at 1 July 2004.

Transition Process

Accounting staff have been to several courses, met with consultants and read widely on the effects of these changes on Racing NSW. We continue with our assessment on items which may be effected. To date we have identified the following issues that will affect Racing NSW, which are discussed below, and there are no internal system or policy changes to be made for this. Business impacts from this change are being assessed currently.

Impact of Adopting Australian Equivalents to IFRSs on the 30 June 2005 Financial Report

Racing NSW has identified known or reliably estimable impacts of adopting Australian Equivalents to IFRSs (AIFRSs) on the 30 June 2005 financial report. These impacts are set out below. No material impacts are expected on the statement of cash flows.

Detailed below is management's assessment of the impact of transition to AIFRS. The actual impact may differ from this assessment due to:

- ongoing work being undertaken by the AIFRSs implementation team;
- potential amendments to the accounting standards; and
- adoption of "general" interpretations as to the appropriate application of specific standards and guidance from the Australian Accounting Standards Board.

Retained Profits

On transition to AIFRS we expect there will be no immediate impact on the balance sheet, profit and loss or retained earnings. The impact of AIFRS on subsequent years is discussed below.

General Insurance Contracts

Investments integral to the board's insurance activities, including investments in land and buildings are measured at net market value at the reporting date. Changes in net market value of such investments are recognised as revenues or expenses in the financial year in which the changes occur.

AASB 1023 "General Insurance Contracts" requires that Investment properties that back general insurance liabilities are measured using the fair value model under AASB 140 "Investment Property".

Under AASB 140 "Investment Property" Para. 9 (c) "owner-occupied property, including property held for future use as owner occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees and owner occupied property awaiting disposal" does not qualify under the standard as Investment Property.

Therefore Racing NSW's property does not qualify as Investment property under AASB 140. AASB 1023 sets out that Para. 16.4 "Property, plant and equipment that backs general insurance liabilities, must be measured at fair value under AASB 116 Property, Plant and Equipment."

Those property, plant and equipment assets that the insurer considers back general insurance liabilities are measured using the revaluation model under AASB 116, that is, they are measured at fair value with increases in fair value credited directly to equity (revaluation reserve) and decreases recognised as an expense (once the revaluation reserve is eliminated).

Under AASB 139 "Financial Instruments: Recognition and Measurement", Racing NSW would not be permitted to recognise the movements in their investments through the Profit and Loss statement, unless it can be shown that doing so significantly reduces a measurement or recognition inconsistency that would otherwise arise. The board believes that such an inconsistency would arise and have elected to continue to take movements in financial instruments through to Profit and Loss, offsetting movements in the insurance liability.

Property

Racing NSW occupies premises at 81-83 Baxter Rd, Mascot which is owned by the Racing NSW Workers Compensation Fund and leased to occupants including Racing NSW. Since acquisition, Racing NSW had revalued the building and incorporated the change in value into its Statement of Financial Performance under 1023 - Financial Reporting of General Insurance Activities. Under IFRS, AASB 116 requires property to be recognised at fair value being determined by market based evidence by appraisal that is normally undertaken by professionally qualified valuers. Therefore, there will be no substantive change to the recognition of this asset and movements in its value.

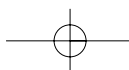
Post Employment Benefits

Racing NSW currently recognises any deficit in respect of its employer sponsored defined benefit superannuation fund on an actuarial basis. Under Australian equivalents to IFRSs, AASB 119 Employee Benefits, Racing NSW will continue to be required to recognise the actuarial surplus/deficit in respect of these plans as an asset or a liability.

As Racing NSW presently recognises the shortfall between the defined benefit scheme and asset backing as a liability, there will be no additional impact on the profit or loss for the year ended 30 June 2005 or change in the recognition net assets as at 30 June 2005.

Unearned Income

Racing NSW registers racing colours of participants on a five year renewal. As such, at each balance date Racing NSW carries unearned colours registration income for periods up to five years. Under AIFRS Racing NSW will be required to carry this unearned income liability at its future value using an appropriate discount rate. The difference between the nominal and discounted values will be recognised as revenue, with the discounted liability amortised over time as appropriate.



NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2005

Impairment of Assets

Racing NSW currently assesses the amount of impairment of assets by determining the replacement cost of the assets. Under Australian equivalents to IFRSs, AASB 116 Impairment of Assets, Racing NSW as a not for profit entity, will still be required to determine the recoverable amount based on replacement cost. Racing NSW expects no difference to arise from the conversion to IFRS's.

your opening IFRS balance sheet. But, for the year ended 30 June 2005, there would be a difference to Statement of Financial Performance, retained earnings and reserves. The future increments in the value of the building must go through to a reserve account. Future decrements in the value of the building must be recognised as an expense unless off-set by previous increments booked to reserve. For the year ended 30 June 2005, this would have the impact of lowering profit and retained earnings and increasing reserves by an amount of \$96,000 as detailed below.

Transition Impact

On transition, the option to value buildings at deemed cost will be taken, as allowed under AASB1 and there will no change on

TRANSITION IMPACT

	\$
Profit and Loss under current GAAP	(469,697)
Movement in building value recognised in reserves under IFRS	(96,000)
Difference between nominal and discounted colours liability recognised as revenue on transition	19,446
Profit and Loss under AIFRS	<u>(546,251)</u>
Revaluation Reserve under GAAP	-
Movement in building value recognised in reserves under IFRS	96,000
AIFRS revaluation reserve	<u>96,000</u>
Unearned colours income under GAAP	292,119
Unearned colours income at future value under AIFRS	272,672
Difference between nominal and discounted colours liability recognised in retained earnings	<u>19,446</u>
Retained earnings under current GAAP	2,337,503
Movement in building value recognised in reserves under IFRS	(96,000)
Difference between nominal and discounted colours liability recognised in retained earnings	19,446
AIFRS retained earnings	<u>2,260,949</u>

NOTE 26: MEMBERS

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

G M Pemberton AC

Chairman,
commenced 15 November 2004

Nominated by Australian Jockey Club

D P R Esplin

Nominated by Sydney Turf Club

G F Pash

Nominated by Provincial Association of NSW

B J Reardon

Nominated by Board of Directors of Racing NSW Country Ltd

D E Hopkins (Deputy Chairman)

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

J B Costigan

Nominated by eligible industry bodies to represent the interests of Owners and Breeders of Thoroughbred Racehorses

R M Lapointe

Independent Director

R A Ferguson,

commenced 15 November 2004

Chief Executive

P N V'landys

A G Hartnell

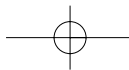
(former Chairman, resigned 3 July 2004)

b) Remuneration of Non-Executive Board Members

	2005	2004
	\$	\$
Income paid or payable to all non-executive directors	434,838	440,814

Number of Non-Executive Board Members whose income was within the following bands

\$0 - \$9,999	-	-
\$30,000 - \$39,999	1	-
\$40,000 - \$49,999	-	1
\$50,000 - \$59,999	5	4
\$60,000 - \$69,999	2	-
\$70,000 - \$79,999	-	1
\$110,000 - \$119,999	-	1



NOTES



TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2005

NOTE 27: COMPANY DETAILS

Racing NSW was established as the NSW Thoroughbred Racing Board, an entity under the Thoroughbred Racing Act 1996. As such it is an entity incorporated and domiciled in Australia.

The registered office and principal place of business of Racing NSW is: 81-83 Baxter Road, Mascot, NSW, 2020.

NOTE 28: FINANCIAL INSTRUMENTS

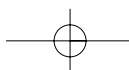
	Note	Floating Interest Rate		Non-Interest Bearing		Total	
		2005	2004	2005	2004	2005	2004
FINANCIAL ASSETS							
Cash	8	12,808,316	8,309,099	-	-	12,808,316	8,309,099
Receivables	9	-	-	12,116,719	9,339,266	12,116,719	9,339,266
Investments	11, 12	13,918,616	12,135,273	174,563	4,565,632	14,093,179	16,700,905
Total Financial Assets		26,726,932	20,444,372	12,291,282	13,904,898	39,018,214	34,349,270
Weighted Average Interest Rate	9.22%	8.77%	-	-	-	-	-
FINANCIAL LIABILITIES							
Loans & Overdrafts	20	-	-	-	3,337,378	-	3,337,378
Trade & Sundry Creditors	15	-	-	8,669,824	5,845,410	8,669,824	5,845,410
Total Financial Liabilities		-	-	8,669,824	9,182,788	8,669,824	9,182,788
Weighted Average Interest Rate		-	-	-	-	-	-
Net Financial Assets & Liabilities		26,726,932	20,444,372	3,621,458	4,722,110	30,348,390	25,166,482

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements. A significant proportion of receivables from associated entities include amounts receivable from Racing NSW Country Ltd and Registrar of Racehorses. The receivables as at 30 June 2005 were \$1,913,776 (2004: \$997,386) and \$322,838 (2004: \$300,453) respectively. At 30 June 2005 Racing NSW had nil receivable from NSW Racing Pty Ltd (Racingcorp) (2004: \$1,059,616). Racing NSW does not have any material credit risk exposure to any other single debtor or group of debtors under financial instruments entered into by Racing NSW.

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

NOTE 29: SEGMENT REPORTING

	2005			2004		
	Racing NSW	Insurance	Total	Racing NSW	Insurance	Total
Primary Reporting						
- Business Segments						
Revenue						
- External Sales	20,366,232	8,697,635	29,063,867	16,408,290	9,122,761	25,531,051
- Other Revenue	665,781	2,082,638	2,748,419	1,577,529	1,734,829	3,312,358
- Share of Profit of associated entity/partnership	289,769	-	289,769	-	-	-
Total Segment Revenue	21,321,782	10,780,273	32,102,055	17,985,819	10,857,590	28,843,409
Expenditure						
- Expenditure	21,773,793	9,725,539	31,499,332	15,526,876	6,706,820	22,233,696
- Depreciation	1,072,420	-	1,072,420	1,188,015	-	1,188,015
- Share of Loss of Entity/Partnerships	-	-	-	49,549	-	49,549
Total Segment Expenditure	22,846,213	9,725,539	32,571,752	16,764,440	6,706,820	23,471,260
Segment Result	(1,524,431)	1,054,734	(469,697)	1,221,379	4,150,770	5,372,149



NOTES

TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2005

NOTE 29: SEGMENT REPORTING (CONT'D)

	2005			2004		
	Racing NSW	Insurance	Total	Racing NSW	Insurance	Total
Assets & Liabilities						
Segment Assets	20,900,722	24,999,856	45,900,578	21,677,172	20,009,573	41,686,745
Total Assets	20,900,722	24,999,856	45,900,578	21,677,172	20,009,573	41,686,745
Segment Liabilities	18,919,112	24,643,963	43,563,075	17,232,345	21,647,200	38,879,545
Total Liabilities	18,919,112	24,643,963	43,563,075	17,232,345	21,647,200	38,879,545
Net Assets/ (Liabilities) 22	1,981,610	355,893	2,337,503	4,444,827	(1,637,627)	2,807,200

The primary business activity of Racing NSW is provision of racing services to the industry. The secondary activity is the Workers Compensation Fund. All income and expenditure is incurred within the thoroughbred racing industry within the state of New South Wales, Australia.

Agistment fees for research horses of \$18,328 (2004: \$6,848) were expended to Muskoka Farm. Muskoka Farm is owned by R M Lapointe, a Board member of Racing NSW. These transactions are conducted at arms length.

An amount of \$21,539 (2004: \$140,006) was expended on legal fees to Atanaskovic Hartnell. A G Hartnell is both a partner in the firm of Atanaskovic Hartnell and former Chairman of Racing NSW (to 3 July 2004). These transactions are conducted at arms length.

Mr G M Pemberton, Mr D E Hopkins, Mr D P R Esplin and Mr G F Pash all board members of Racing NSW, are also directors of NSW Racing Pty Ltd (Racingcorp) and each beneficially own one Class A1 share unit in NSW Racing Pty Ltd (Racingcorp).

NOTE 30: RELATED PARTY DISCLOSURES

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

G M Pemberton	B J Reardon	R M Lapointe
A G Hartnell (resigned 3rd July 2004)	D P R Esplin	D E Hopkins
R A Ferguson	G F Pash	J B Costigan
P N V'Landys		

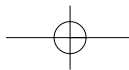
NOTE 31: INSURANCE ACTIVITIES

INSURANCE REVENUES & EXPENSES

	2005	2004
Premium revenue	7,926,064	8,583,331
Reinsurance recoveries and other recoveries revenue	239,696	-
Investment revenue	1,986,638	1,734,829
Other Income	627,875	500,985
	10,780,273	10,819,145
General and Administration	959,466	1,920,590
Direct claims	8,046,073	4,786,231
Outwards reinsurance	720,000	888,138
	9,725,539	6,706,821
Underwriting result for the financial year excluding investments revenue and expense	(931,904)	2,377,495

INSURANCE ASSETS AND LIABILITIES

Investments		
- Land and buildings	3,936,000	3,840,000
- ANZ Trust	13,918,616	12,135,273
Total Investments	17,854,616	15,975,273
Operating Assets		
- Bank	7,004,230	3,981,821
- Bank guarantee	56,233	52,479
- Receivables	84,777	-
- Reinsurance recoveries	-	1,706,679
Total Operating Assets	7,145,240	5,740,979
Liabilities		
- Outstanding claims	24,426,000	22,871,879
- Unearned Premiums	217,963	518,437
Total Liabilities	24,643,963	23,390,316



NOTES



TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2005

NOTE 31: INSURANCE ACTIVITIES (CONT'D)

INSURANCE ASSETS AND LIABILITIES

	2005	2004
a) Outstanding Claims		
Gross undiscounted claim liability	28,157,000	24,172,160
Discount to present value	(6,615,000)	(4,505,000)
Third party recoveries	(130,525)	(890,000)
Re-insurance recoveries	(1,870,675)	(1,845,000)
Sub-total Claims Liability	19,540,800	16,932,160
Prudential Margin	4,885,200	4,233,040
Total Claims Liability	24,426,000	21,165,200

INSURANCE ASSETS AND LIABILITIES

Current	5,217,500	5,422,253
Non-Current Liabilities	19,208,500	15,742,947
Total Liabilities	24,426,000	21,165,200

The average weighted term to settlement of the outstanding liabilities is 4.1 years (2004: 3.3 years).

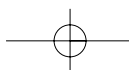
The following average inflation rates and discount rates were used in measuring the liability for outstanding claims:

	2005		2004	
	Next Year	Thereafter	Next Year	Thereafter
Inflation rate	4.00%	4.00%	4.00%	4.00%
Discount Rate	5.80%	5.80%	5.80%	5.80%

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

	2005		2004	
	Current Year Incurred	Reassess Prior Years	Current Year Incurred	Reassess Prior Years
	\$	\$	\$	\$
Gross undiscounted incurred claims	7,845,000	352,000	6,337,000	92,000
Undiscounted reinsurance & other recoveries	(107,000)	(197,000)	(97,000)	(82,000)
Net undiscounted incurred claims	7,738,000	155,000	6,240,000	10,000
Discounting of incurred claims	(1,451,000)	-	(925,000)	(403,000)
Discounting recoveries	4,000	-	8,000	29,000
	6,291,000	155,000	5,323,000	(364,000)
Gross discounted incurred claims	6,394,000	352,000	5,412,000	(311,000)
Discounted reinsurance & other recoveries	(103,000)	(197,000)	(89,000)	(53,000)
Net discounted incurred claims	6,291,000	(155,000)	5,323,000	(364,000)

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

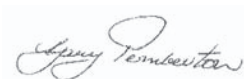


DECLARATION BY MEMBERS OF RACING NSW

The Members of Racing NSW declare that:

- (1) the financial statements comprising the Statement of Financial Performance, Position and Cash Flows and accompanying notes:
 - (i) give a true and fair view of the financial position of Racing NSW as at 30 June 2005 and its performance for the year ended on that date.
 - (ii) are in accordance with the NSW Thoroughbred Racing Act 1996 and comply with the Accounting Standards and other mandatory professional reporting requirements and
- (2) as at the date of this declaration there are reasonable grounds to believe that the Racing NSW will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Members of Racing NSW and is signed for and on behalf of Racing NSW.



Mr G M PEMBERTON AC
Chairman

Signed at Sydney, this 25th day of October 2005.



Mr R M LAPOINTE
Director



**Chartered Accountants
& Advisers**

Level 19, 2 Market St. Sydney NSW 2000
GPO Box 2551 Sydney NSW 2001
Tel: (61 2) 9286 5555
Fax: (61 2) 9286 5599
Email: bdodyd@bdosyd.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF RACING NSW

Scope

The Financial Report and Members of Racing NSW's Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the declaration by the Members of Racing NSW, for the year ended 30 June 2005.

The Members of Racing NSW are responsible for the preparation and true and fair presentation of the financial report in accordance with the Thoroughbred Racing Act 1996. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We have conducted an independent audit in order to express an opinion to the Members of Racing NSW. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Thoroughbred Racing Act 1996, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of Racing NSW's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and

- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Members of Racing NSW.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Audit Opinion

In our opinion, the financial report of Racing NSW is in accordance with:

- (a) the Thoroughbred Racing Act 1996, including:
 - (i) giving a true and fair view of Racing NSW's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia; and
- (b) other mandatory financial reporting requirements in Australia.

DECLARATION OF INDEPENDENCE BY SEAN OSBORN TO THE MEMBERS OF RACING NSW

To the best of my knowledge and belief, there have been no contraventions of:

- any applicable independence code of professional conduct in relation to the audit.

BDO

Chartered Accountants



S R Osborn Partner

Signed at Sydney, this 25th day of October 2005.

