



RACING NSW 08
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 takes all actions necessary to guarantee integrity and confidence in the sport.
- Maximise betting turnover on NSW Thoroughbred meetings by accommodating punters' needs and desires, and work with Tabcorp to promote new wagering products, which reflect changes in demand.

FUNCTIONS OF THE BOARD

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

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

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FRONT COVER: Sydney's champions for last racing season - Peter Wells (pictured at the top - Leading Apprentice), Gai Waterhouse (left - Leading Trainer), Blake Shinn (right - Leading Jockey) and Tuesday Joy (NSW Horse of the Year)

REAR COVER: NSW Country Champion - Takeover Target (Jay Ford)

MEMBERS OF THE BOARD



G M Pemberton AC (Gary)
CHAIRMAN

Independent Chairman
appointed by the Board
Appointed 15 November 2004
for 4 years
Attended 11 meetings
Retired 2 July 2008



D E Hopkins OAM (Don)
DEPUTY CHAIRMAN

Nominated by Racing NSW
Country
Re-appointed 12 March 2004
for 4 years
Retired 11 March 2008
Attended 7 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
Retired 16 May 2008
Attended 9 meetings



G F Pash (Graeme)

Nominated by the Sydney Turf
Club
Re-appointed 13 March 2004
for 4 years
Retired 12 March 2008
Attended 2 meetings



D P R Esplin (Phillip)

Nominated by eligible industry
bodies which represent the
interests of licensed persons
and race club employees
Appointed 13 March 2006 for 4
years
Attended 11 meetings



B J Reardon (Brian)

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



R A Ferguson (Rob)

Independent additional Board
Member appointed by the
Board in accordance with
section 6(4) of the
Thoroughbred Racing Act 1996
Re-appointed 1 November
2006 for 4 years
Attended 10 meetings



N F Bracks (Noel)

Nominated by the Australian
Jockey Club
Appointed 13 March 2006 for
4 years
Attended 11 meetings



W A Picken (Bill)

Nominated by the Sydney Turf
Club
Appointed 13 March 2008 for 4
years.
Attended 7 meetings (3 as
Alternate Director)



G Lindley (Gordon)

Nominated by Racing NSW
Country
Appointed 12 March 2008 for 4
years
Attended 4 meetings



T R Lobb (Trevor)

Nominated by eligible industry
bodies which represent the
owners and breeders of
thoroughbred racehorses.
Appointed 17 May 2008 for 4
years
Attended 2 meetings



P N V'landys (Peter)

Racing NSW Chief Executive
Appointed 23 February 2004
Attended 11 meetings



Phillip Esplin
Deputy Chairman Racing NSW

The Hon Kevin Greene MP
Minister for Gaming & Racing
Parliament House,
Macquarie Street,
Sydney NSW 2000

Dear Minister,

In accordance with Section 29 of the Thoroughbred Racing Act 1996 I submit to you the 12th Annual Report of Racing NSW covering the period 1 July 2007 to 30 June 2008.

The Board met on 11 occasions and the application, dedication and expertise of my fellow Board members is acknowledged.

The Deputy Chairman, Mr Don Hopkins OAM, and Board members Mr Graeme Pash and Mr Bob Lapointe retired during the year, having completed their maximum terms under the legislation. Their contributions on behalf of the industry were significant and I express my personal appreciation.

Messrs Gordon Lindley, Bill Picken and Trevor Lobb were appointed to the Board on the nomination of Racing NSW Country, the Sydney Turf Club and Racehorse Owners and Breeders respectively.

Mr Gary Pemberton AC resigned as Chairman of Racing NSW, effective from 2 July 2008. Gary's leadership and experience were of enormous value to the NSW Thoroughbred Racing Industry during his term as Chairman.

On behalf of the Board I thank and acknowledge the Chief Executive, Peter V'landys, and the entire staff of Racing NSW for their outstanding dedication and achievements during the year.

In last year's Annual Report Gary Pemberton expressed the hope that the new governing authority would be well established by this Report. We are still waiting for this to occur and we again hope this appointment of the new Board is imminent. Once in place I would urge all sectors to commit to the procedures behind the workings of the Board and the Racing Industry Consultative Group. The decisions that lay ahead are critical to the wellbeing of every participant in the industry. The challenges are unprecedented.





Peter V'landys
Chief Executive

In the history of racing in NSW the year 2007/08 will go down as one of the most turbulent. The year saw a severe Equine Influenza ("EI") outbreak and the announcement by the State Government that World Youth Day activities were to be held at Royal Randwick Racecourse.

In addition to managing these major issues, Racing NSW was again able to implement a number of initiatives which provided significant benefits for the NSW Thoroughbred Racing Industry.

Complete details of all the operations of Racing NSW are outlined later in this Annual Report. However, I have identified the major items below.

OPERATING COSTS AND ADMINISTRATIVE CHARGE

Racing NSW's financial performance was again strong during the 2007/08 financial year. General Activities operating costs were down a further \$70,000 on 2006/07. These savings were in addition to the \$3.6 million reduction in operating costs over the prior three years. Racing NSW also absorbed \$618,000 in costs related to EI, without any additional charge to the NSW racing industry.

The result for Racing NSW's Workers Compensation Fund has been affected by a substantial increase in provisions of \$6.7 million and a \$2.2 million reduction in the carrying value of investments due to declines in the stock market. In 2006/07 the Workers Compensation Fund reduced provisions by \$2.3 million. Ignoring the reduction in the carrying value of the investments, the aggregate performance of the Workers Compensation Fund over the two year period 2006/07 and 2007/08 is in line with the "break-even" objective on which the Fund is designed to operate.

EQUINE INFLUENZA CRISIS

On 25 August 2007, the State's racing industry was brought to a standstill as a result of an outbreak of EI (a highly contagious exotic disease).

New South Wales was the State most affected, with all racing cancelled and the movement of all horses prohibited indefinitely. These actions had disastrous ramifications for the 50,000 persons who rely on the industry for all or part of their livelihood and on the economies of Australia and NSW.

The first cases of EI were detected at the Centennial Park Equine Centre on Friday, 24 August 2007 and the virus quickly spread to horses domiciled at Royal Randwick Racecourse. Over the ensuing weeks the virus spread to many regions throughout the State, causing a complete lockdown on horse movements and the cancellation of all racing activities.

Racing NSW assumed responsibility for the overall co-ordination of the industry's response to this crisis, developing and implementing contingency plans to manage the outbreak and its effects and to protect the industry's stakeholders.



Throughout the crisis, the contribution of the then Federal Minister for Agriculture, the Hon. Peter McGauran MP, was outstanding. He worked tirelessly with the industry to minimise the disruption and financial hardship facing participants.

At our request, Minister McGauran immediately set up a \$4 million Hardship Assistance Fund (\$2.5 million for New South Wales) to be administered by Racing NSW for participants who were in need of urgent financial assistance to meet their commitments. Racing NSW administered the Fund on behalf of the thoroughbred racing, standardbred racing and leisure horse industries and assistance was provided to some 2,133 individuals within these industries.

\$235 MILLION RESCUE PACKAGE

With the assistance of Minister McGauran, I personally negotiated with the Prime Minister, the Hon. John Howard MP, for the provision of further financial assistance and was successful in obtaining Government support in an **unprecedented \$235 million Rescue Package** for the NSW and Queensland thoroughbred, harness racing and leisure horse industries.

This financial assistance package allowed the following grant programs to be established:

- Commercial Horse Assistance Payments Scheme (CHAPS)
- Equine Influenza Business Assistance Grant Scheme
- Equine Workers Hardship Wage Supplement Scheme

CHAPS

CHAPS – the largest of the programs – was devised and administered by Racing NSW. Under CHAPS, payments were made on a "per-horse per-day" basis (\$60 - metropolitan: \$55 - provincial: \$50 - country) in fortnightly instalments to trainers.

These payments provided significant financial support. For example, a metropolitan trainer with 40 horses in work would have received \$28,000 per fortnight; a provincial trainer with 25 horses in work would have received \$15,750 per fortnight and a country trainer with 15 horses in work would have received \$8,400 per fortnight.

The payments were split between trainers and owners on a 30:70 ratio and were subject to a number of conditions with the objective of keeping horses fit and ready for a return to racing as soon as possible after the end of the crisis.

The CHAPS system was unique. It was designed to encourage owners to keep their horses in work during the lockdown period of the EI outbreak. The benefits of the scheme were twofold:

- Firstly, it allowed a continuance of training operations, which in turn provided an economic multiplier throughout the industry and enabled most persons involved in the training and maintenance of horses to remain in employment; and
- Secondly, it ensured that sufficient fit horses were ready to resume racing activities immediately following the removal of travel restrictions. In fact, had it not been for the CHAPS payments, normal racing activities may not have resumed for at least a further two months.

An amount of \$10 per horse per day was withheld from the payment to provide financial assistance and hence enable the retention of:

- Persons with unique and important skills who would be required by the racing industry after resumption of racing; and
- Businesses that have skills transferable in the medium term, but also specialised skills and capital investment specifically servicing the racing industry. These businesses were required by racing on resumption and in the long-term.

It was pleasing to see that the industry's performance exceeded all expectations when racing resumed at Randwick on 1 December 2007. Initial predictions had forecast that normal racing would not recommence until March 2008.

In addition, the grants also allowed 'across the board' payments of workers compensation and public liability premiums incurred by key industry participants.

Equine Influenza Assistance Grant Scheme

The Equine Influenza Assistance Grant Scheme was administered by the Federal Government and provided for the payment of one-off grants of up to \$15,000 to businesses and self-employed persons who derived the majority of their income from racing; were incurring additional costs because of the outbreak; and were facing a significant downturn in income. The scheme covered such categories of businesses and persons as race clubs, trainers, jockeys, farriers, horse transport companies, veterinarians, and other stakeholders.

Equine Workers Hardship Wage Supplement

The Equine Workers Hardship Wage Supplement was also administered by the Federal Government through Centrelink and provided for the payment of fortnightly allowances to workers who lost their jobs or most of their income and sole traders whose incomes had effectively ceased because of the EI outbreak.

NSW Government Financial Assistance

Racing NSW also lobbied relevant NSW Ministers for the provision of further financial assistance which resulted in the provision of a \$7.5 million grants scheme for the industry's participants and race clubs, the establishment of a Special Mortgage Deferral Scheme for racing industry participants and a further one-off grant to help promote the industry following the resumption of normal racing activities.

Containment And Eradication

On a State level, we worked closely with the Minister for Primary Industries, the Hon. Ian McDonald MLC, and his Department to contain the spread of the disease. These joint activities helped to mitigate the duration of the outbreak.

Following discussions with Racing NSW, the Department of Primary Industries divided the State into a number of colour-coded zones which allowed the restricted movement of horses within zones and a limited amount of movement between certain zones. This decision allowed the conduct of a limited number of race meetings on a restricted basis and facilitated the gradual resumption of racing activities.

In conjunction with other industry bodies, Racing NSW successfully lobbied Federal and State Authorities to introduce a vaccination program for thoroughbred racehorses and breeding stock. This program was co-ordinated and overseen by Racing NSW staff and its successful implementation is credited with normal racing activities resuming much sooner than initially predicted.

Containment And Eradication Costs

Under the scheme for cost sharing in respect of animal health disease outbreaks that had previously been established, the Commonwealth Government could have sought to recover 80% of the \$108 million it expended on the eradication and confinement of the disease. In fact, on 21 February 2008, three Bills were tabled in the House of Representatives, the aim of which was to enable the recoupment of Commonwealth expenditure on emergency responses to disease outbreaks by establishing a "horse disease response levy" payable by horse owners upon the first registration of a horse. In conjunction with the Australian Racing Board, Racing NSW was able to successfully negotiate with the Federal Minister for Agriculture and obtain agreement for the Government to assume full responsibility for the total costs thus ensuring that the State's horse owners were not further impacted by the outbreak.

Had the Commonwealth Government not "picked up the total bill" all Australian thoroughbred horse owners would have been required to pay an additional \$200 per horse per year for registration for the next 10 years.

Ongoing Vaccination

In conjunction with the Australian Racing Board and Thoroughbred Breeders Australia, Racing NSW is continuing with its efforts to have an on-going vaccination programme introduced for the thoroughbred racing industry. Unless such a programme is introduced the industry will always remain vulnerable to further outbreaks of the virus, thus exposing the industry and its participants to the threat of financial upheaval.

WORLD YOUTH DAY

During the year the NSW Government announced that it had agreed to Royal Randwick Racecourse being used for a number of activities associated with World Youth Day which was to be hosted in Sydney during July 2008.

It was obvious that these activities would cause a major upheaval for the NSW racing industry, including the relocation of all Randwick-based trainers and horses and the shutdown of racing at the racecourse.

In conjunction with the Australian Jockey Club and John Messara, Racing NSW held a protracted series of negotiations and discussions with the World Youth Day Co-ordinating Authority and the Minister responsible for World Youth Day Activities, Deputy Premier, The Hon. John Watkins MP.

As a result of these negotiations, together with a commitment for financial support from the Federal Government (also negotiated by Racing NSW), the NSW Government agreed to an overall package which included:

- The provision of a \$10.8 million financial package to be administered by Racing NSW to compensate industry stakeholders, including the Randwick trainers;
- The provision of an amount of \$3 million to make good the Australian Jockey Club's economic loss;
- The provision of approximately \$13 million to allow the construction of temporary stables, an equine tunnel and synthetic track at Warwick Farm, together with temporary stabling at Rosehill Racecourse;
- The provision of an unconditional bank guarantee of \$10 million to underwrite any unforeseen rectification works which might be required as a result of any damage to the Randwick Racecourse;
- Extension of the Australian Jockey Club's lease on Randwick Racecourse giving the Club an effective leasehold of 99 years with an option for a further 50 years;
- Introduction of legislation to remove the statutory cap on totalizator commission deductions and reverse an earlier decision whereby 50% of any additional revenue generated from this proposal would be diverted from the racing industry to a fund to maintain sporting grounds; and
- Introduction of legislation to allow the incorporation of the Australian Jockey Club.

REMOVAL OF STATUTORY CAP ON TOTALIZATOR COMMISSION DEDUCTIONS

Following continued representations from Racing NSW, the Government introduced legislation during the year to amend the provisions of the Totalizator Act and remove the statutory cap which previously existed in respect of totalizator commission deductions. The removal of the cap will enable the industry to share in the financial benefits when totalizator investors transfer their investments from low commission betting such as win & place pools to high commission betting such as trifectas and quadrellas.



It has been estimated that an expansion of the average wagering commission margin by 1% will add approximately \$50 million p.a. to overall wagering revenue resulting in an additional \$17.2 million p.a. for the overall racing industry, of which \$12.2 million p.a. would accrue to the thoroughbred racing industry.

RACE FIELDS LEGISLATION

In mid-2005 Racing NSW wrote to the then Minister recommending that legislation be introduced to enable the racing industry to impose and collect levies on wagering operators throughout Australia who were exploiting the NSW racing product to conduct their wagering businesses.

Subsequently, in November 2006 the Racing Administration Amendment Act 2006 (Race Fields Legislation) was enacted to give effect to our submission and recommendations.

Unfortunately, no further action was taken on the matter until the latter part of the 2007/08 year when the Minister announced that the provisions of the Act and the associated regulations would commence on 1 July 2008 with the penalty provisions of the legislation to commence on 1 September 2008.

In effect, the legislation requires all wagering operators who publish NSW race fields as part of their business to obtain approval from Racing NSW (and the other controlling authorities) and allows Racing NSW to impose a fee of up to 1.5% of all turnover on NSW thoroughbred racing events. Equally as important, it also compels wagering operators to provide betting information to ensure the integrity of racing.

Racing NSW has now determined that it will charge a fee of 1.5% of turnover on NSW thoroughbred racing in excess of an "exempt threshold" of \$5 million p.a. These fees will apply equally to all Australian licensed wagering operators, irrespective of the jurisdiction in which they are licensed and irrespective of the form of wagering service they conduct (totalizators, fixed odds betting and betting exchanges).

Based on available figures it has been estimated that this proposal will return an amount of up to \$17 million per annum to the NSW Thoroughbred Racing Industry. As at the date of 'writing' this report, most major wagering operators throughout Australia had sought and been granted approval to publish NSW thoroughbred racing fields.

MINIMUM PRIZEMONEY

Racing NSW continued with its strategy of enhancing 'Returns to Owners' by requiring further increases in the minimum prizemoney to be paid by race clubs. This strategy, which was developed in full consultation with the metropolitan, provincial and country race clubs, allowed Racing NSW to schedule the following prizemoney increases, effective from 1 February 2008.

Metropolitan	
Saturday meetings	increased from \$60,000 to \$70,000
Midweek meetings	increased from \$25,000 to \$27,000
Listed Races	established new minimum of \$100,000
Group 3 Races	established new minimum of \$125,000
Group 2 Races	established new minimum of \$150,000
Provincial	
Midweek meetings	increased from \$13,000 to \$16,000
Saturday meetings	increased from \$11,000 to \$14,000
Country	
TAB meetings	increased from \$7,000 to \$9,000

REVIEW OF THOROUGHBRED RACING ACT 1996

During the year the Minister announced the Government's response to the recommendations contained in the Report of the Independent Review of the Thoroughbred Racing Act 1996 and indicated that legislation would be introduced into Parliament to give effect to that response. As at 30 June 2008 a Bill had been drafted for this purpose and was awaiting approval by Parliament. The Bill has subsequently been passed and the substantive provisions are awaiting commencement.

In summary the amendments to the Act will:

- Clarify the role of Racing NSW in respect of its commercial and regulatory responsibilities;
- Provide for the restructure of the Board of Racing NSW and the process for the appointment of the Board on the nomination of an Appointments Panel made up of industry representatives;
- Establish a new Racing Industry Consultative Group (RICG) and outline the procedure for consultation between Racing NSW and RICG;
- Empower Racing NSW to determine the manner in which TAB payments are distributed in the event that the parties to the Intracode Agreement fail to reach consensus;
- Require race clubs to obtain the consent of Racing NSW to enter into future broadcast agreements;
- Allow Racing NSW to set minimum standards and conditions in respect of race meetings and races;
- Allow Racing NSW to direct race clubs to provide certain documentation;
- Allow Racing NSW to impose penalties and sanctions on race clubs for non-compliance with directions and minimum standards; and
- Provide protection for the existing Board members in assuming a "caretaker" role between the date the legislation was introduced into the Parliament and the date on which the provisions of the Act commence.

INDEPENDENT REVIEW OF WAGERING REGULATION IN NSW

During the year, the Minister for Gaming and Racing appointed Alan Cameron to undertake an independent review of wagering in NSW to provide a framework for future growth and sustainability of the racing industry.

The Minister pointed out that the Review would consider, but was not limited to, the following areas:

- Racing as a significant industry and employer;
- Bookmaker structures and operating conditions;
- Publication of betting odds;
- TAB fixed odds betting;
- Pooling;
- New technology and wagering;
- Sports betting;
- Betting exchanges;
- Advertising laws; and
- Impacts from National Competition Policy.

The racing industry is extremely dependent on the revenue it receives as a result of wagering activities. Therefore, although the Review presented the industry with several opportunities, it also presented a number of threats and challenges. In this regard the outcome of the Review could shape the way the industry is funded for years to come. Racing NSW put forward a detailed submission to the Review and also



commissioned the firm Boston Consulting to prepare an independent report in support of Racing NSW's submission. Copies of these documents can be viewed on the Office of Liquor Gaming and Racing's website - www.olgr.nsw.gov.au

Racing NSW submitted that there were three critical issues which should be examined in the review. These included:

- The immediate commencement of the Race Fields Legislation;
- Protection from off-shore wagering operators; and
- State wagering tax reform.

In addition, Racing NSW stressed that it would support deregulation of the wagering industry but the Government must indemnify the industry against any loss of revenue as a result of changes to the regulatory framework.

INDEPENDENT REVIEW OF THE REGULATORY OVERSIGHT OF THE NSW RACING INDUSTRY

The Review of the Thoroughbred Racing Act 1996 recommended that the Office of Liquor, Gaming and Racing co-ordinate the implementation of a review into the powers and procedures of controlling authorities in respect of the regulatory oversight of the racing industry across the three codes of racing and that issues relating to the appeal mechanism for the thoroughbred code be examined.

This recommendation was in line with suggestions put forward in the submission made by Racing NSW to the Review.

In response to the recommendations, however, the Minister for Gaming and Racing announced that he had appointed Mr Malcolm Scott to conduct an independent review into the regulatory oversight of the NSW Racing Industry. The Minister indicated that the Review would:

1. Investigate the effectiveness of current legislation, the Rules of Racing and administrative procedures underpinning the integrity regulation of the three codes;
2. Identify potential improvements in regulation including the amendment of legislation, the Rules of Racing, related administrative procedures and the role of stewards;
3. Examine current education and training requirements, and professional standards for stewards and any potential improvements; and
4. Examine existing career paths available to stewards, and opportunities for employment in the racing industry.

In its submission to the Review, Racing NSW pointed out that:

- The existing structure of the NSW Thoroughbred Racing Industry, in which Racing NSW is responsible for both integrity and the strategic development and welfare of the racing industry, is appropriate and operates effectively, cost efficiently and in a manner which promotes the welfare of the NSW Thoroughbred Racing Industry and its participants. The same is true of the existing integrity regulation framework for thoroughbred racing in NSW;
- While substantive changes are not required, legislation could assist the implementation of the integrity functions for thoroughbred racing in NSW by:
 - clarifying the status of the Rules of Racing to remove potential uncertainty as to whether certain categories of people who do not hold licenses issued by Racing NSW are subject to the rules and the enforceability of sanctions imposed on such people under the Rules; and
 - aligning the mechanisms for requiring the provision of evidence across the various stages of the disciplinary and appeals processes.

Mr Scott submitted his Report to the Minister in the later part of the year and the Report was tabled in Parliament on 26 June 2008.

Amongst other matters, Mr Scott recommended significant changes to the existing disciplinary and appeals systems for the industry as well as the merging of the stewards' activities of the three codes of racing.

Racing NSW's views on these issues have been forwarded to the Minister in a further submission and at the date of this report we are awaiting an announcement of the Government's final decision in the matter.

CONCLUSION

The implementation of Race Fields Legislation and the removal of the statutory cap on totalizator commission deductions will have a positive impact on the industry's revenues. On the other hand, the flow-on effects of the High Court decision in the case of *Betfair vs WA*, including the likely removal of statutory advertising prohibitions, coupled with continued moves towards the deregulation of wagering will see added pressure being placed on the industry's revenue.

It is essential therefore that we work closely with the Government to guarantee the future viability and finances of the industry.

The year saw the retirement of a number of Board members, including:

- Deputy Chairman, Don Hopkins OAM, who was a foundation member of the Board on its establishment in 1997. Don also served as Chairman of the Licensing Sub-Committee and as Racing NSW's representative on the Australian Racing Board. His services to the industry, particularly to country racing, were deservedly rewarded when he received an award in the Order of Australia earlier this year;
- Long serving Board Member, Bob Lapointe, whose financial expertise, business acumen and industry knowledge were of significant benefit to the Board and management; and
- Graeme Pash, whose experience and achievement in a cross-section of racing and sporting administration, including as Chairman of the Sydney Turf Club and Deputy Chairman of the Sydney Swans, added another level of expertise to the Board's deliberations.

I would like to place on record my appreciation of the support, assistance and friendship of these gentlemen over the past four years.

Following the close of the financial year, Gary Pemberton AC, resigned from the position of Chairman of Racing NSW on 2 July 2008. Gary is recognised as one of Australia's leading business identities having chaired or sat on the Boards of several of the country's major corporations. His enormous contribution to the administration of thoroughbred racing in general, and to Racing NSW in particular, is acknowledged. Gary's support and mentoring have also been of significant assistance to me personally and to other senior members of our staff.

I would be remiss if I did not also record my appreciation of the commitment and outstanding efforts of the staff of Racing NSW during the year, particularly their response to the EI crisis.

Finally, I would also like to thank the race clubs, industry associations and the many other organisations and authorities with whom we deal, including the Office of Liquor, Gaming and Racing and the media, for their co-operation and assistance during the year.

Peter N V'landys
Chief Executive



Andrew Vadasz
Laboratory Director

Australian Racing Forensic Laboratory (ARFL)

The outbreak of Equine Influenza ("EI") had a severe impact on the operations of the Laboratory, along with the rest of the industry.

However, the Laboratory played an important role during the crisis as the focal point for the receipt, storage and distribution of the vaccine which was used to bring the situation under control in NSW.

FUNCTIONS

As an arm of the integrity functions of Racing NSW, the Laboratory serves to control the use of prohibited substances by the provision of sampling kits and protocols for their use, analysis of received samples, and participation in research programs to improve its capabilities, answer new challenges as they arise, and assist veterinarians in the legitimate use of medication.

It is accredited by the National Association of Testing Authorities and the international Association of Official Racing Chemists.

SAMPLING KITS

The kits produced by the Laboratory involve several layers of security to protect sample integrity and close monitoring to safeguard chain of custody. These are under frequent review to ensure the ability to withstand legal challenge.

RECEIPT AND ANALYSIS OF SAMPLES

Sample kits are tracked by the Laboratory's Information Management System from the time they are sent out, to receipt upon return, storage, and eventual sample disposal.

At the Laboratory the samples undergo a wide variety of tests and only a small percentage is found to contain a prohibited substance. Generally these are confirmed by referee analysis of the B sample at another accredited racing laboratory.

Tables 1 and 2 show the statistics for the year July 2007 to June 2008.

Table 1:-

Annual horse sample statistics 1 July 2007 to 30 June 2008

	Urine	Blood Samples	TCO2	Prohibited Substances Detected
Metro T'breds NSW	1,342	1,144	1,000	0
Provincial T'breds NSW	955	305	577	3
Country T'breds NSW	2,734	305	422	7
Greyhounds NSW	3,105	-	-	32
Harness NSW	979	20	912	9
Others	563	454	77	7
TOTAL	9,678	2,228	2,988	58
Out of Competition T'breds	-	205	-	0
Out of Competition Others	-	-	-	0
TOTAL	0	205		0



Human urine samples collected from jockeys, track riders, stablehands and harness drivers are also tested for banned substances. Table 2 gives the results of this year's testing. Approximately 5% of samples contained banned substances.

Table 2:-

Annual human samples statistics 1 July 2007 to 30 June 2008

Human Samples	Urine	Banned Substances Detected
Metropolitan NSW	110	9
Provincial NSW	36	2
Country NSW	104	3
Harness	1	0
Others	51	1
TOTAL	302	15

The Laboratory also performs referee analyses to confirm the findings of other laboratories both interstate and overseas.

RESEARCH AND DEVELOPMENT

The Laboratory conducts research, in collaboration with universities and other institutions, into detection of new drugs, into improving analytical methodology, and to provide information on excretion times of therapeutic substances to assist trainers and veterinarians to avoid contravention of relevant rules.

The results of this research are published in peer-reviewed journals, the most relevant being the Proceedings of the International Conference of Racing Analysts and Veterinarians, thereby becoming part of the reference literature which is frequently relied upon to support the Laboratory's findings.

QUALITY ASSURANCE

The terms of the Laboratory's accreditations require its participation in proficiency testing programs to monitor performance. These include blind spikes and blind samples from drug administrations.

In routine screening, quality control samples accompany every batch and samples contain internal standards with results being checked automatically by computer as well as by two analysts.

ADDITIONAL INVESTIGATIONS

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

The Royal Easter Show in Sydney now carries out extensive drug testing of animals competing in the various events staged at the Show. The Laboratory analyses these samples, as well as those from other agricultural associations requiring special testing.

In addition, the services of the Laboratory are called upon by a host of organisations conducting horse competitions, as well as some involving other animal species. Its capabilities are being increasingly utilised by external clients doing pharmacokinetic studies on drugs in different animal systems.



Ray Murrphy
General Manager Integrity - Chairman of Stewards

STEWARDS' DEPARTMENT FUNCTIONS

The activities of the Stipendiary Stewards include:

- Ensuring the safe conduct and integrity of racing;
- Ensuring the welfare of the racehorse;
- Officiating at all race meetings and official trials in 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

Personnel changes were pleasingly few, however, metropolitan panel member Jason Whybrow took up a role with the Australian Sports Doping Authority in Canberra. David Dyson, formerly the Racing NSW provincial and country judge, replaced Jason Whybrow on the metropolitan panel operating out of the Newcastle office and former AJC judge, Adrian Roberts, was appointed to fill David Dyson's role.

Mark Holloway, Deputy Chief Steward in the CDRA/WRA region, left the panel in a full-time capacity to pursue accountancy interests in Dubbo. Craig Pringle, formerly Deputy Chief Steward in the NRRR region, took over Mark Holloway's post and Michael Costa, a trainee on the metropolitan panel, joined the NRRR panel as a Stipendiary Steward.

STEWARDS' INQUIRIES

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

In a season whereby the number of race meetings was dramatically reduced due to the Equine Influenza ("E1") crisis, some 230 breaches of the careless riding rule were visited, with penalties of suspensions of licence to ride in races.

Twelve misconduct charges were visited with suspensions/disqualifications from two months to six months and fines of up to \$2,500.

By delegation of the Board, the stewards dealt with a case from the Moruya race meeting of 16 February 2008 whereby a race was declared void after a patron ran onto the track, with the offending party subsequently being warned off.

DRUG TESTING

During the season a total of 8,656 raceday samples were taken with an overall ratio of swabs to starters of 1:4.70. The metropolitan swab ratio to starters of 1:1.85 is impressive and underlines the commitment of Racing NSW to ensure racing is conducted on a level playing field.

In addition, stewards continued to collect for analysis out-of-competition samples at stables, training centres and at official trials. In total, two trainers were disqualified, six were suspended and two fined for breaches of the drug rules. Penalties issued included disqualifications of up to 18 months and fines up to and including \$10,000.

Stewards also continued a regime of testing for the presence of banned substances in riders and stable employees. Testing of 242 licensed persons took place at race meetings, trials, trackwork and stables, with penalties of up to 12 months suspension for the 15 breaches detected.

VISITING OFFICIALS

A number of international and interstate officials were hosted by the Racing NSW Stewards' Panel including Rob De Kock (Chief Executive of The National Horse Racing Authority of South Africa), Eric Long (Singapore Jockey Club), Matthew Williamson (New Zealand Thoroughbred Racing Inc.) and David Hensler (Racing & Wagering Western Australia).

In addition, the stewards assisted in hosting a group of apprentice jockeys from the Hong Kong Jockey Club during their 8-day stay in NSW.

CONFERENCES AND TRIBUNALS

Chairman of Stewards, Ray Murrphy, represented NSW at the National Chairman of Stewards Advisory Group meeting in Brisbane. He also represented the NCOSAG and NSW on the Australian Rules of Racing Review Advisory Group and the National Jockey Safety Review Committee.

NEW DEVELOPMENTS

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

- Conduct of inquiries and hearings: The Board introduced a new policy concerning the conduct of stewards' inquiries and hearings whereby the conduct of open inquiries - where appropriate - was endorsed. Persons appearing before the stewards now, however, have a formal right to make application for the matter to be heard 'in camera' whereby established criteria will govern the discretion of the stewards in determining such application.
- Publication of interim reports: Guidelines have been developed by the Board concerning the publication of interim stewards' reports. Interim reports now generally will not name persons appearing nor explain the nature of the evidence received at a stewards' inquiry.
- Metropolitan apprentice jockey claims table: Following on from the success of NSW apprentices on the track, the Rules of Racing were amended to increase the number of wins on the metropolitan apprentice jockey claims table to mirror both the country and provincial tables. Now an apprentice may ride 80 winners prior to losing his/her claim.
- Plastic Marker Posts: After initially being tested at jump-outs, plastic marker posts are now being installed at a number of metropolitan and provincial centres conducting official trials, replacing the moveable aluminium rail. The success of these trials will determine whether the use of these marker posts might enhance safety at registered race meetings.

- Trials on synthetic tracks: With synthetic tracks installed at many training centres, permission was given during the winter period for the conduct of official trials on these surfaces so as to reduce the 'wear and tear' on grass training tracks.
- Digital Audio Recording Equipment: This year saw the introduction of a new digital audio recording system introduced for stewards' inquiries conducted throughout NSW. The digital audio files ensure that all inquiries and interviews conducted by stewards are recorded in the highest of quality and allow stewards to transmit and store electronically, any recording for future reference.

EQUINE INFLUENZA OUTBREAK

The outbreak of the infectious disease, Equine Influenza ("EI") in August 2007, saw the shutdown of racing and training operations across much of NSW. Racing NSW stewards played an integral part in operations aimed at halting the spread and eradicating EI and in that role they liaised with a number of bodies including:

- NSW Department of Primary Industries;
- Animal Health Australia;
- GHRRA;
- Australian Stud Book;
- Australian Veterinary Association, and
- Other Principal Racing Authorities.

Commencing on 25 August 2007 when EI was first detected in leisure horses at Centennial Park, Racing NSW stewards, for much of the remainder of the racing year, were involved in the following roles:

- Implementation of quarantining of stables;
- Implementation of quarantining of training centres;
- Overseeing 1st, 2nd and 3rd round vaccination programs;
- Overseeing the collection of blood and nasal samples;

- Issue of movement permits;
- Audit of stable decontamination;
- Implementation of bio-security measures at training centres;
- Implementation of bio-security measures at race meetings and barrier trials;
- Establishment and management of quarantine centres;
- CHAPS audits of trainer horse numbers;
- Collation of vaccination data for government agencies, and
- Manning of decontamination check points.

LIAISONS & CONTACTS

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

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





Dr Craig Suann
Senior Official Veterinarian

ROLE OF THE RACING NSW VETERINARY DEPARTMENT

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

EQUINE INFLUENZA (“EI”) OUTBREAK

The veterinary department played a key role in the Racing NSW response to the EI outbreak which was declared on 25 August 2007. The Veterinary Department:

- liaised with NSW Department of Primary Industries (DPI) officials including the NSW Chief Veterinary Officer (CVO), and those at the NSW State Disease Control Centre and the Local Disease Control Centre at Menangle, facilitating early testing of suspect thoroughbred racehorses in the initial phase of the outbreak and providing advice on technical issues to the Racing NSW Board, CEO and management;
- participated in meetings and teleconferences dealing with the EI outbreak with NSW DPI officials, Federal and State Ministers of Primary Industries/Agriculture, veterinarians, trainers and others;
- managed the ‘Racing NSW Vaccination Control Centre’ established at the Australian Racing Forensic Laboratory (ARFL) to oversee the acquisition and subsequent supply and distribution of vaccine and consumables for the Racing NSW emergency EI vaccination program conducted by the stewards, as well as the tracking of all vaccine vials used in the program;
- facilitated the training of 75 veterinarians throughout NSW (including the development of an online training module) and their authorisation by the NSW Chief Veterinary Officer to use the *ProteqFlu* vaccine in order to implement the Racing NSW emergency EI vaccination program state-wide. The contribution and commitment of private veterinary practitioner colleagues to facilitate the mass vaccination of thousands of thoroughbred racehorses in a very short space of time is gratefully acknowledged;

- collaborated with NSW DPI officials to develop procedures for “proof of freedom” to permit the return to training and racing in previously infected areas and state-wide more generally;
- facilitated an audit of the Racing NSW Vaccination Control Centre by the Office of the Gene Technology Regulator (OGTR). The audit examined all aspects of the acquisition, storage, supply and use of the *ProteqFlu* vaccine, the disposal of all of the hazardous waste involved in the vaccination program, as well as the training program in the use of the vaccine devised for veterinarians and stewards. The use of the vaccine was strictly regulated by the OGTR, Animal Health Australia and the Australian Pesticides and Veterinary Medicines Authority (APVMA) since it is a genetically modified (GM) live vaccine which was being used in the face of an emergency animal disease eradication program;
- co-ordinated and facilitated the blood sampling of previously EI-infected horses in NSW for evidence of antibody production (seroconversion) and therefore immunity to EI in order to permit the movement, training and racing of these horses as the outbreak came under control. This involved liaison with veterinary practitioners, stewards and the DPI laboratory, and the scrutinising of hundreds of laboratory results in order to provide advice to the stewards and the development of a racing database on the immune status of these horses;
- developed and implemented protocols for the ongoing vaccination of the NSW thoroughbred population, including breeding stock, as well as the administration of the third or booster dose of vaccine which commenced from mid-January 2008. Due to the tight regulation of the supply and use of the vaccine imposed by Government authorities and DPI, Racing NSW was required to continue to administer the vaccination program, being responsible for the supply of vaccine to veterinarians on a user-pays basis, and overseeing record keeping and data entry requirements imposed on the veterinarians. This process involved the development of a revised training module for veterinarians on the use of the *ProteqFlu* vaccine, and the implementation of an approval process for veterinarians wishing to use the Racing NSW allocation of vaccine;
- with the assistance of Sydney Turf Club officials, managed the Canterbury Approved Quarantine Facility which was opened to facilitate movement of horses from the purple to green zones in NSW, and also the shipment of consignments of horses to Victoria while movement restrictions were in place prior to 28 February 2008. This involved:
 - * the development of an operations manual for the facility;
 - * overseeing the entry and exit of consignments of horses in and out of the facility;
 - * organising and implementing the mandatory testing (nasal swabs, blood sampling; laboratory sample submissions) of horses required for certification out of the facility;
 - * organising the official DPI movement permits required to facilitate transport out; and
 - * supervising bio-security procedures at the facility; and
- with the expiry of the emergency dealing for the use of the *ProteqFlu* vaccine, facilitated the compulsory recall of all Racing NSW-issued *ProteqFlu* vaccine stocks held by stewards and veterinarians around the State.

OTHER KEY OPERATIONAL ACTIVITIES

- Continued the approval process for veterinarians attending country race meetings to include those attending non-TAB meetings;
- Monitored sample storage and transportation procedures between racetracks state-wide and the laboratory, to ensure the secure delivery of samples in an optimum condition and in a timely manner;



- Recruited a number of new swab officials to work at metropolitan and provincial race meetings;
- Continued to conduct drug administration trials for the ARFL, and managed the operations of Racing NSW's Animal Care and Ethics Committee which supervises and monitors the health and welfare of the research horses;
- Facilitated the monitoring of ambient conditions during hot weather to better manage the welfare of racing horses during the summer months;
- Participated in and co-ordinated veterinarians for the out-of-competition testing program for horses in racing stables, and collaborated with the ARFL on routine and strategic drug control issues;
- Dr Suann is Chairman of the Australian Racing Board's National Equine Integrity & Welfare Advisory Group (NEIWAG) which, during the year, progressed the matter of new approaches to dealing with the analysis and reporting of therapeutic substances, facilitated new research into drug detection, and examined new strategies to better manage the health and welfare of thoroughbred racehorses. A full meeting of NEIWAG was convened in Perth in July 2007; and
- Dr Suann is one of two veterinary members on the Advisory Council on Prohibited Substances of the International Federation of Horseracing Authorities. Matters considered by the Advisory Council included international harmonisation in the testing for

therapeutic substances, retrospective testing of previously cleared samples, proposed new threshold value substances, laboratory performance specifications and revised guidelines for referee analysis.

ANIMAL CARE AND ETHICS COMMITTEE

The Racing NSW Animal Care and Ethics Committee (ACEC) was established according to the requirements of the NSW Animal Research Act 1985 to monitor and supervise the team of research horses used for drug administration trials conducted as part of the research and development program of the ARFL. The committee is chaired by Racing NSW 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). Category A member is Racing NSW Senior Official Veterinarian, Dr Craig Suann, and Category B member is Dr Andrew McKinney, Senior Scientist (Research) at ARFL. The Racing NSW research horses reside at Muskoka Farms.

The Committee approved one research proposal during the reporting period. The proposal would facilitate drug administration trials that would assist the laboratory in improving its drug testing capabilities. However, the number of trials conducted was curtailed during the reporting period due to the movement and access restrictions imposed as a result of the EI incursion.

THE INTEGRITY ASSURANCE COMMITTEE

Racing NSW, pursuant to Section 23 of the Act, established the Integrity Assurance Committee.

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

The Integrity Assurance Committee Members are:

Mr M.G. Cummings (Chairman)

Mr A.K. Davidson, AM MBE

The Hon J.C.J. Matthews

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

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

The current procedures relative to the functioning of the Committee are as follows:

- Reports to the monthly Board meeting of Racing NSW from the laboratory, veterinary, registration, licensing and stewards, are circulated to the members of the Committee;
- Members of the Committee, by invitation, attend each meeting of the Licensing Committee; and
- Annually, and independently of the monthly reports to the Board, the Committee calls for integrity reports and interviews representatives of the Australian Racing Forensic Laboratory, Veterinary, Handicapping, Licensing, Registration and Stewards.

The Committee reports to the Board after the review.

RIPAC (Racing Industry Participants Advisory Group)

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

Members of RIPAC are as follows:

Mr Ron Leemon (Chairman) -

Nominated by NSW Licensed Trainers

Mr Paul Innes (Deputy Chairman) -

Nominated by NSW Jockeys

Mr John Freyer -

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

Mr Ray McDowell -

Nominated by NSW Racehorse Owners

Mr Matt Thislethwaite -

Nominated by the Labor Council of NSW to represent stablehands and race club employees

Mr Jack Ashman -

Nominated by the NSW Bookmakers' Co-operative to represent licensed bookmakers and bookmakers' clerks.

*The position of Consumer Representative is vacant.

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



Greg Rudolph
General Manager - Racing & Commercial

Racing in NSW – 2007/08

RACING ACTIVITY

The well-documented effects of Equine Influenza ("EI") impacted heavily on the racing season and the total of 537 race meetings accounted for a decrease of 211 race meetings from last year.

Consequently, the composition of racing also changed with Racing NSW becoming primarily responsible for the development of a schedule that would eventually lead to a full resumption of racing in January 2008.

Attainment of this goal was testimony to the significant input of departmental staff, which made important contributions in assisting the Department of Primary Industries and other bodies during that time, ensuring a "Road Map to Recovery" was achieved.

With a reduced schedule of racing from late August 2007 until January 2008, the Handicapping and Racing departments were also seconded to assist in the administration of quarantine protocols at various racetracks, audit vaccination records for the distribution of the equine influenza vaccine and assist in the administration of the Commercial Horse Assistance Payment Scheme ("CHAPS").

The other significant event that impacted on metropolitan racing was the use of Royal Randwick Racecourse for World Youth Day 2008. The necessity to shut down the course as a racing and training venue for a 10-week period in June resulted in a number of meetings being transferred to alternate venues.

RACE MEETINGS

SECTOR	2007/08	2006/07	2005/06	2004/05
Metropolitan	88	121	123	122
Provincial	86	118	126	124
Country TAB	220	288	315	306
Country Saturday TAB	25	20	49	8
Country Non-TAB	99	175	154	206
Picnic	18	26	25	27
TOTAL	537	748	792	793

The number of races conducted during the season fell by approximately 36%, in line with the outbreak of EI in late August 2007.

RACES CONDUCTED

SECTOR	2007/08	2006/07	2005/06	2004/05
Metropolitan	688	945	955	962
Provincial	699	942	989	1,002
Country TAB	1,763	2,254	2,402	2,330
Country Saturday TAB	197	142	348	59
Country Non-TAB	526	960	813	1,098
Picnic	101	150	144	157
TOTAL	3,974	5,393	5,651	5,608

NUMBER OF STARTERS

The movement in the number of starters across the State went from 53,860 to 40,591 – a decrease of 13,269 which highlighted the effect of EI on the racing schedule in the latter part of 2007.

RACE STARTERS

SECTOR	2007/08	2006/07	2005/06	2004/05
Metropolitan	6,615	9,195	9,501	9,183
Provincial	7,377	9,552	9,715	10,129
Country TAB	19,520	24,582	25,341	24,740
Country Saturday TAB	2,142	1,681	3,167	599
Country Non-TAB	4,332	7,876	6,395	8,665
Picnic	605	974	807	918
TOTAL	40,591	53,860	54,926	54,234

RACE FIELD SIZES

Across NSW average field sizes increased slightly from 10.0 starters to 10.2 starters per race. This increase is largely attributable to the increase in country and provincial field sizes, whilst the metropolitan average field size remained relatively stable at 9.6.

Following the return to racing from EI, country and provincial field sizes remained strong due to the implementation of reviewed balloting conditions, the increase in BOBS Bonuses due to EI and CHAPS keeping horses in work longer.

The bolstering of quality metropolitan field sizes at different times of the season continues to be a challenge to Racing NSW, in conjunction with the metropolitan clubs. Initiatives have been put in place to attempt to maximise the pool of horses that will increase metropolitan field sizes. This continues to be the benchmark on which the success of programming initiatives are measured.

The provincial sector average of 10.55 was up from 10.1 and an average of 11.1 for the country TAB sector showed a slight increase from 10.9 in 2006/07. A reduction of approximately 70 TAB meetings was attributable to EI and also impacted on these figures.

AVERAGE FIELD SIZES

SECTOR	2007/08	2006/07	Change
Metropolitan	9.6	9.7	-0.1
Provincial	10.55	10.14	0.41
Country TAB	11.07	10.91	0.16
Country Saturday TAB	10.87	11.84	-.97
Country Non-TAB	8.23	8.20	0.03
Picnic	5.99	6.49	0.50
TOTAL	10.21	9.99	0.222

SEASON HIGHLIGHTS

The Autumn Racing Carnival did not escape the effects of EI, and a radically altered Autumn Carnival in 2008 may serve as a catalyst to fix race dates nationally.

For the first time, a combined focus was placed on the promotion of the Autumn Racing Carnival with '50 Glorious Days of Racing' the theme behind the festivities which were a joint effort between Racing NSW, the metropolitan clubs, Tabcorp and Events NSW.



With the cream of NSW horses unable to compete in the Victorian Spring Racing Carnival due to travel restrictions, racing's return to Royal Randwick in December was greeted with much enthusiasm after the absence, and the return of champion Takeover Target to defeat former champion two-year-old Dance Hero in the first leg of the Summer Triple Crown was a fitting result.

NSW-trained horses again produced exceptional performances in Black Type races in NSW and around Australia throughout the 2007/08 season.

With a vastly reduced Group and Listed schedule in NSW, outstanding performances were again recorded from Gai Waterhouse who trained Tuesday Joy to win the Group One double of the Ranvet Stakes and The BMW, as well as Sebring, who narrowly missed the Two-Year-Old Triple Crown when going down narrowly to class filly Samantha Miss, in the Group One-AJC Champagne Stakes in the autumn.

Chris Waller emerged in the training ranks to capture his first Group One with Triple Honour in the Doncaster Handicap, and John O'Shea's gallant grey, Racing to Win, added to his Group One tally with a dominant win in the WFA All-Aged Stakes.

Leading Randwick trainers Anthony Cummings and Kevin Moses also enjoyed Group One successes with Cummings scoring with Dealer Principal (Rosehill Guineas) and Casino Prince (Chipping Norton), with Kevin Moses's No Wine No Song being the staying find of the autumn, ultimately going on to win the Sydney Cup.

All NSW-trained Group & Listed winners are summarised on pages 16-17.

PERSONNEL CHANGES

2007/08 saw changes to the structure of the Handicapping Panel and the Racing Department. In September 2007, James Saunderson was appointed to the position of Cadet Handicapper, replacing James Meurer who chose to pursue other endeavours in the industry. Senior Handicapper Colin Denson also accepted a position with a prominent racing and training establishment in April 2008 and was replaced by Brett Scelly, formerly Deputy Chief Handicapper from New Zealand Thoroughbred Racing.

PROGRAMMING AND HANDICAPPING

During the period of EI, the most equitable method in assembling race fields in the areas that could race free of restrictions imposed by the DPI, was to group horses and then program according to their respective ratings.

Since the outbreak of EI at the end of August 2007, the necessity to program 'Restricted Meetings' for a period meant that the industry was exposed predominantly to Ratings-Based Programming earlier than was first envisaged.

The response and feedback had been mainly positive at that time, as consultation with trainers allowed programs with flexibility to meet the needs of the available horse population. The positive response was also partially due to the fact that these areas were permitted to race, when much of the State was in lockdown.

The compilation of race fields would not have been as effective under the previous class system, as field sizes would not have been maximised. Ratings programming therefore provided greater opportunities for a number of horses during that unusual period of restricted racing.

Following EI, the industry has been exposed to Ratings-Based Programming on an ongoing basis and an extensive consultative process around the State has allowed feedback relative to how the future of both Ratings-Based Handicapping and Programming should progress.

With the handicappers now given discretion, the initial role of Ratings-Based Handicapping has been altered. The re-introduction of some class races, along with a mix of special conditions races in the city, should assist in allowing country and provincial horses to compete on an even level. Further analysis is currently underway regarding the most equitable system to provide handicapping and programming services.

INDUSTRY LIAISON

It was another significant year for Australian Horse Classifications with the likes of Takeover Target and Haradasun racing with distinction internationally, with Group wins in Singapore and England respectively.

The continued prominence of Australian horses on the international stage has led to greater recognition of our racing. The Australia and New Zealand Classifications Committee (ANZCC) has made considerable advances to have the ratings of our horses aligned internationally to reflect these performances. Senior Handicapper Greg Pearson represented Racing NSW at the ANZCC meeting in Brisbane in June 2008.

Greg Rudolph represented Racing NSW on the National Race Planning Committee and the Australian Pattern Committee (APC), as well as being appointed to the ARB Racing Committee.

Important foundations were developed at these levels to both develop a better structure of national racing, including proposal for the protocol of future upgrade applications, a greater emphasis on promotion of staying events, and to ensure greater consistency in race classifications, to the benefit of the New South Wales stakeholders.

The APC, at its July 2007 meeting, noted the New South Wales applications for upgrade from the previous season and approved the following:-

- AJC Breeders Classic – Upgraded to Group 2
- AJC The Shorts – Upgraded to Group 2
- STC Run to the Rose – Upgraded to Group 3

Due to the influence of EI, no upgrades or downgrades were considered for the 2007/08 racing season, however, the Committee reviewed the current prizemoney benchmarks for all Group and Listed races and decided that new national prizemoney benchmarks would be set for the 2008/09 season as follows:-

- Group 1 – \$300,000
- Group 2 – \$150,000
- Group 3 – \$100,000
- Listed – \$70,000

Racing NSW was represented by Greg Rudolph on the Autumn Racing Carnival Committee 2008, the Project Steering Committee for World Youth Day 2008, and provided advice to the Consultative Committee on Emergency Animal Diseases (CCEAD) and the NSW Industry Liaison Working Group during the EI crisis.

Industry matters were also addressed through liaison with the following bodies:-

- Thoroughbred Breeders NSW Ltd;
- Aushorse;
- NSW Racehorse Owners' Association;
- Australian Trainers' Association (NSW Branch);
- William Inglis and Son and Magic Millions;
- RIPAC;
- Events NSW;
- Department of Primary Industries (NSW);
- World Youth Day Co-ordinating Authority, and
- State Diseases Control Centre.

BOBS (RACING NSW'S - BREEDER OWNER BONUS SCHEME)

SEASON HIGHLIGHTS

BOBS enjoyed the following highlights during the 2007/08 season:

- Almost \$5.7 million was paid out during the year, including a 25% addition to bonuses due to EI;
- Although EI had a major impact on the season, the total number of bonuses won for the season was only 8.6% down on last year. This is an outstanding result in terms of the backing of progeny of NSW stallions that are now participants in the scheme;
- The top 14 sires by value of bonuses are represented by 10 different studs;
- Stallion nominations for BOBS 2011 have closed and for consecutive years we have record entries. At least 160 stallions are nominated for BOBS 2010/11; and
- The number of yearling nominations that were eligible for BOBS 2007/08 is again at a record high at approximately 2,750.

BOBS STATISTICS FOR THE 2007/08 SEASON

- The leading BOBS stallion by bonuses and prizemoney for the season was Beautiful Crown (USA) who stands at Patinack Farm in Scone. Beautiful Crown has, without doubt, been the most successful BOBS sire and interestingly was the first ever stallion paid into the scheme back in 2002. The top five sires are listed below:

Rank	Stallion	Stud	Bonus Wins	Value of Bonus Wins
1	Beautiful Crown (USA)	Patinack Farm	45	\$411,250
2	Danehill Dancer (Ire)	Coolmore	37	\$331,250
3	Choisir	Coolmore	28	\$283,750
4	Hussonet (USA)	Arrowfield	18	\$198,750
5	Strategic	Darley	18	\$195,000

- The leading BOBS Bonus-winning horse by value for the season was Star of Crown trained by Marc Conners at Warwick Farm. Congratulations to all bonus winners during 2007/08, especially the top five bonus-winning horses and their owners listed below:

Horse	Sire (Stud Farm)	Owner(s)	Bonus Wins	Value of Bonus Wins
Star Of Crown	Beautiful Crown (USA) (Patinack Farm)	M.C. Conners Racing P/L Synd (Mgr: Mrs M. Conners), M.P. Todd, M.C. Howard, Shaleejanik Synd (Mgr: S. Rose), M. Geraghty & M.J. Burling	5	\$97,500
Illuminates	Strategic (Darley)	G.A. Rogerson MNZM, G. Harvey, K.H. Ely & Mrs C. O'Brien	4	\$87,500
Occurrence	Choisir (Coolmore)	M.B. Sandblom, S. Brodie, J. & Mrs B. Lill, D.J. & Mrs L. McDowell, D. Stuart & Ms A. Cox	4	\$80,000
Kenny's World	Kenny's Best Pal (Meringo Stud)	K. Rice, A. Demetrios, G. Murray, Ms H. Andriadis, G. Rush, N. Munro, E. Bromage, Hoff P/L Synd (Mgr: E. Murray) & S. Hancock	5	\$70,000
Xavier	King Cugat (USA) (Widden Stud)	L.A. & Mrs S.J. Smith, M.W. O'Keefe, King Th'breeds Synd (Mgr: Ms V. King) & J.B. Cummings	3	\$57,500

- The leading winner of BOBS Bonuses as an owner was Sheikh Mohammed. The top BOBS Bonus-winning owners are listed below:

Owner(s)	No.	Value
Mohammed, Sheikh	15	\$206,250
Woodlands Stud Syndicate	14	\$172,500
Wallace Mr T, Wallace Mrs D, Wallace Mr J, Wallace Miss H, Perry Mr P, Collis Ms C	10	\$67,500
Starr, Mr J	6	\$36,250
M.C. Conners Racing P/L Synd, Todd Mr M, Howard Mr M, Shaleejanik Synd, Geraghty Mr M, Burling Mr M	5	\$97,500
Rice Mr K, Demetrious Mr A, Murray Mr G, Andriadis Ms H, Rush Mr G, Munro Mr N, Bromage Mr E, Hoff P/L Syndicate, Hancock Ms S	5	\$70,000
Gooree Pastoral Company Syndicate	5	\$61,250
Morton Mr S	5	\$25,313
Rogerson MNZM Mr G, Harvey Mr G, Ely Mr K, O'Brien Mrs C	4	\$87,500

PUBLICATIONS AND MEDIA

These are departments responsible for the publication of the monthly Racing NSW Magazine which is read by a wide range of stakeholders and the general public, along with the production of the Annual Report.

The PR & Media Department also maintains the Racing NSW website, adding articles and news items to the site, as well as monitoring the automated nominations, fields, results and Stewards Reports sections.

The department seeks to enhance the profile of thoroughbred racing and to present a positive image of both Racing NSW and the racing industry.

Both Publications and Media also assist in the administration and promotion of the popular BOBS scheme.





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

APPEAL PANEL MEMBERS

Mr John Hiatt OAM
(Principal Member)

Mr Dominic Beirne
Mr Thomas Carlton
Ms Margaret Crawley
Mr Jack Hickman
Mr John Lynn
Mr Robert Monnox
Mr Peter Norrgard
Mr Donald Storey
Mr Rodney Wicks

Mr David Campbell SC
Mr Cliff Clare
Mr John Fletcher
Mr Darcy Leo
Mr David McKee
Mr Ray Nolan
Ms Susan Skeen
Mr John Vandenberg

EXECUTIVE FOR APPEAL PANEL

Mr Peter V'landys, Secretary
Ms Kathy Reece, Appeals Co-ordinator

CHANGES TO APPEAL PANEL

During this year Messrs Norrgard, Beirne and Vandenberg retired and Messrs Carlton, Lynn and McKee, along with Ms Skeen, were appointed to the Appeal Panel.

AVENUE OF APPEAL

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

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

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

APPEAL PANEL

The Sydney-based Appeal Panel sat on 14 occasions during 2007/2008 and Mr John Hiatt chaired them all.

Within those 14 sittings there were 20 appeals lodged against 17 individual charges. Three appeals were withdrawn either prior to, or at the time of hearing. The majority of these appeals were against conviction and penalty.

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

DECISION ON CHARGES

Area	Upheld	Dismissed	Penalty Varied	Withdrawn	\$200 Refunded	Total Charges
Appeal Panel	3	14	8	3	3	17
Racing Association	1	1	1		1	2

SUMMARY OF CHARGES APPLICABLE TO APPEAL CASES

Rule	Description	Number
AR135(b)	The rider of every horse shall take all reasonable and permissible measures throughout the race to ensure that his horse is given full opportunity to win or to obtain the best possible place in the field.	3
AR137(a)	Any rider may be punished if, in the opinion of the Stewards, he is guilty of careless, reckless, improper, incompetent or foul riding.	8
AR137(b)	Any rider may be punished if, in the opinion of the Stewards, he fails to ride his horse out to the end of the race and/or approaching the end of the race.	2
AR145	If a horse carries more than a half a kilogram in a flat race, or two kilograms in a steeplechase or hurdle race over the weight imposed or declared, the rider and any other person at fault may be punished.	1
AR165(3)	In the event of an objection made under this Rule being deemed by the stewards to be frivolous, the person making such objection may be fined.	1
AR175(a)	The Committee of any Club or the Stewards may punish; any person, who, in their opinion, has been guilty of any dishonest, corrupt, fraudulent, improper or dishonourable action or practice in connection with racing.	1
AR178	When any horse that has been brought to a racecourse for the purpose of engaging in a race and a prohibited substance is detected in any sample taken from it prior to or following its running in any race, the trainer and any other person who was in charge of such horse at any relevant time may be punished.	4
	Total	20

REPRESENTATION TABLE

	Dismissed	Upheld
Represented by Solicitor	4	1
Represented Self	10	2
Totals	14	3

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

RACING APPEALS TRIBUNAL

The Racing Appeals Tribunal comprises of:

His Honour Mr B R Thorley AM (Racing Appeals Tribunal)
His Honour Justice W R Haylen (Acting Racing Appeals Tribunal)
His Honour Judge J C McGuire (Acting Racing Appeals Tribunal)
Mr P N V'landys, Secretary Racing Appeals Tribunal
Ms K Reece, Appeals Co-ordinator

There were no appeals lodged with the Racing Appeals Tribunal this year.

NSW GROUP AND LISTED WINNERS - 2007/08

Group	Feature	Dist	Prize \$	Winner	Trainer
1	THE GALAXY	1100	\$350,000	Typhoon Zed	Tim Martin
1	CHIPPING NORTON STAKES	1600	\$300,000	Casino Prince	Anthony Cummings
1	ROYAL RANDWICK GUINEAS	1600	\$500,000	Weekend Hussler	Ross McDonald
1	RANVET STAKES	1900	\$400,000	Tuesday Joy	Gai Waterhouse
1	QUEEN OF THE TURF STAKES	1550	\$400,000	Forensics	Peter Snowden
1	ROSEHILL GUINEAS	2000	\$500,000	Dealer Principal	Anthony Cummings
1	ARROWFIELD STUD STAKES	2000	\$400,000	Heavenly Glow	Allan Denham
1	THE BMW	2400	\$2,250,000	Tuesday Joy	Gai Waterhouse
1	GEORGE RYDER STAKES	1500	\$400,000	Weekend Hussler	Ross McDonald
1	GOLDEN SLIPPER	1200	\$3,500,000	Sebring	Gai Waterhouse
1	COOLMORE STUD STAKES	1500	\$600,000	Eskimo Queen	Michael Moroney
1	AJC SIRE'S PRODUCE STAKES	1400	\$450,000	Sebring	Gai Waterhouse
1	AJC AUSTRALIAN DERBY	2400	\$1,800,000	Nom Du Jeu	Murray Baker
1	TJ SMITH STAKES	1200	\$500,000	Apache Cat	Greg Eurell
1	DONCASTER HANDICAP	1600	\$1,800,000	Triple Honour	Chris Waller
1	AJC OAKS	2400	\$500,000	Heavenly Glow	Allan Denham
1	CHAMPAGNE STAKES	1600	\$450,000	Samantha Miss	Kris Lees
1	QUEEN ELIZABETH STAKES	2000	\$500,000	Sarrera	Michael Moroney
1	SYDNEY CUP	3200	\$700,000	No Wine No Song	Kevin Moses
1	ALL-AGED STAKES	1400	\$400,000	Racing To Win	John O'Shea
2	PREMIERE STAKES	1200	\$140,000	German Chocolate	Paul Cave
2	VILLIERS STAKES	1400	\$175,000	Honor In War	Chris Waller
2	EXPRESSWAY STAKES	1200	\$200,000	Paratroopers	Peter Snowden
2	LIGHT FINGERS STAKES	1200	\$125,000	Forensics	Peter Snowden
2	CHALLENGE STAKES	1000	\$125,000	Hurried Choice	David Payne
2	ROYAL SOVEREIGN STAKES	1200	\$125,000	El Cambio	Peter Snowden
2	BREEDERS' CLASSIC	1200	\$125,000	Gallant Tess	David Payne
2	APOLLO STAKES	1400	\$250,000	Racing To Win	John O'Shea
2	SILVER SLIPPER	1100	\$200,000	Amelia's Dream	Gai Waterhouse
2	GOLDEN ROSE	1400	\$1,000,000	Forensics	Peter Snowden
2	SURROUND STAKES	1400	\$125,000	Chinchilla Rose	Steele Ryan
2	TODMAN STAKES	1200	\$300,000	Krupt	Matthew Smith
2	CANTERBURY STAKES	1550	\$140,000	Mentality	John Hawkes
2	REISLING STAKES	1200	\$300,000	Hips Don't Lie	David Hayes
2	PHAR LAP STAKES	1550	\$140,000	Acey Ducey	Grahame Begg
2	PAGO PAGO STAKES	1200	\$140,000	Sidereus	Anthony Cummings
2	MAGIC NIGHT STAKES	1200	\$140,000	Portillo	Peter Snowden
2	HOBARTVILLE STAKES	1400	\$200,000	Serious Speed	Leon Macdonald
2	AJAX STAKES	1500	\$150,000	All Silent	Grahame Begg
2	TULLOCH STAKES	2000	\$140,000	Book Of Kells	Bart Cummings
2	CHAIRMAN'S HANDICAP	2600	\$200,000	No Wine No Song	Kevin Moses
2	SAPPHIRE STAKES	1200	\$175,000	Belong To Many	Barbara Joseph
2	EMANCIPATION STAKES	1600	\$175,000	Kosi Bay	Bart Cummings
3	MISSILE STAKES	1100	\$100,000	German Chocolate	Paul Cave
3	SAN DOMENICO STAKES	1000	\$120,000	Sliding Cube	Gai Waterhouse
3	RUN TO THE ROSE	1300	\$100,000	El Cambio	Peter Snowden
3	FREDERICK CLISSOLD STAKES	1200	\$100,000	Hoystar	Peter Snowden
3	MILLIE FOX QUALITY	1300	\$100,000	November Flight	Garry White
3	KINDERGARTEN STAKES	1100	\$100,000	Mr Profumo	Gai Waterhouse
3	LIVERPOOL CITY CUP	1300	\$100,000	Danleigh	Chris Waller
3	SKYLINE STAKES	1200	\$100,000	All American	David Hayes
3	SWEET EMBRACE STAKES	1200	\$100,000	Stripper	David Payne
3	RANDWICK CITY STAKES	2000	\$100,000	No Wine No Song	Kevin Moses



NSW GROUP AND LISTED WINNERS - 2007/08 (Continued)

Group	Feature	Dist	Prize \$	Winner	Trainer
3	NEWCASTLE NEWMARKET	1400	\$140,000	Falaise	Peter Snowden
3	STAR KINGDOM STAKES	1200	\$100,000	Hoystar	Peter Snowden
3	BIRTHDAY CARD STAKES	1200	\$100,000	Throne Inn	Ken Callaghan
3	ADRIAN KNOX STAKES	2000	\$120,000	Raise	Joseph Pride
3	SOUTH PACIFIC CLASSIC	1400	\$120,000	Royal Discretion	Gai Waterhouse
3	FRANK PACKER PLATE	2000	\$125,000	Rockwood	Gai Waterhouse
Listed	RAMORNIE HANDICAP	1200	\$125,000	The Jackal	Paul St Vincent
Listed	GRAFTON CUP	2350	\$160,000	Ashraf	Stuart Phegan
Listed	RAZOR SHARP QUALITY	1200	\$100,000	Takeover Target	Joe Janiak
Listed	CARRINGTON STAKES	1100	\$75,000	Al Be Nimble	Gwenda Markwell
Listed	FRANK UNDERWOOD CUP	1900	\$65,000	Mizone	Pat Webster
Listed	CANTERBURY CLASSIC	1100	\$25,000	Global Warming	Kevin Moses
Listed	FESTIVAL STAKES	1500	\$80,000	Eremein	Allan Denham
Listed	AUSTRALIA DAY CUP	2000	\$76,000	El Meroo	Gwenda Markwell
Listed	STARLIGHT STAKES	1100	\$80,000	Keen Commander	Denise McGrath
Listed	SHERACO STAKES	1100	\$100,000	Mimi Lebrock	Bart Cummings
Listed	GOSFORD GUINEAS	1170	\$100,000	Cent Per Cent	Graeme Rogerson
Listed	CANONBURY STAKES	1000	\$75,000	Sebring	Gai Waterhouse
Listed	WIDDEN STAKES	1000	\$75,000	Delta Girl	Graeme Rogerson
Listed	BREEDERS PLATE	1100	\$80,000	Sebring	Gai Waterhouse
Listed	GIMCRACK STAKES	1100	\$80,000	Portillo	Peter Snowden
Listed	DARBY MUNRO QUALITY	1200	\$100,000	Royal Discretion	Gai Waterhouse
Listed	PARRAMATTA CUP	2000	\$80,000	Red Lord	Anthony Cummings
Listed	TRISCAY STAKES	1200	\$100,000	Hot Danish	Les Bridge
Listed	WIGGLE STAKES	1400	\$100,000	Hot Danish	Les Bridge
Listed	GOSFORD CUP	2100	\$150,000	Bundoran Breeze	Kevin Moses
Listed	ESKIMO PRINCE STAKES	1200	\$75,000	Tenant's Tiara	Kevin Moses
Listed	WENONA GIRL HANDICAP	1200	\$75,000	Litter	Kris Lees
Listed	ASPIRATION QUALITY	1600	\$75,000	Pravana	John O'Shea
Listed	SKY HIGH STAKES	1900	\$100,000	Nuclear Sky	Jack Denham
Listed	KEITH F NOLAN CLASSIC	1600	\$150,000	Bernicia	Guy Walter
Listed	EPONA STAKES	1900	\$100,000	Ready To Lift	Gerald Ryan
Listed	NE MANION CUP	2400	\$100,000	The Chieftain	Guy Walter
Listed	TL BALLIEU HANDICAP	1400	\$100,000	Rhyno Chaser	Kevin Moses
Listed	MAURICE McCARTEN	1200	\$100,000	Hoystar	Peter Snowden
Listed	NEVILLE SELLWOOD STAKES	2000	\$100,000	Nuclear Sky	Jack Denham
Listed	ROYAL PARMA STAKES	1400	\$100,000	Valedictum	Danny O'Brien
Listed	FERNHILL HANDICAP	1600	\$100,000	Likefatherlikeson	Graeme Rogerson
Listed	CARBINE CLUB STAKES	1600	\$100,000	Road To Rock	Anthony Cummings
Listed	PJ BELL HANDICAP	1200	\$100,000	Espurante	John O'Shea
Listed	KEITH MACKAY	1200	\$100,000	Shoboard	Pat Webster
Listed	JRA PLATE	2000	\$100,000	Viewed	Bart Cummings
Listed	HALL MARK STAKES	1200	\$100,000	Wasted Emotions	Danny Williams
Listed	WAGGA CUP	2000	\$120,000	Tommifrancs	Gerald Ryan
Listed	JAMES CARR	1400	\$100,000	Nediyim's Dream	John O'Shea
Listed	HAWKESBURY GUINEAS	1400	\$100,000	Royal Discretion	Gai Waterhouse
Listed	CIVIC STAKES	1400	\$100,000	Al Be Nimble	Gwenda Markwell
Listed	DARK JEWEL CLASSIC	1400	\$110,000	Sung	Peter Snowden
Listed	SCONE CUP	1600	\$110,000	Newton's Rings	Jeff Englebrecht
Listed	McKELL CUP	2400	\$100,000	Luvuleo	Graeme Rogerson
Listed	JUNE STAKES	1100	\$100,000	Mister Celestial	Gai Waterhouse
Listed	PACESETTER	1200	\$100,000	Captain Bax	Kris Lees



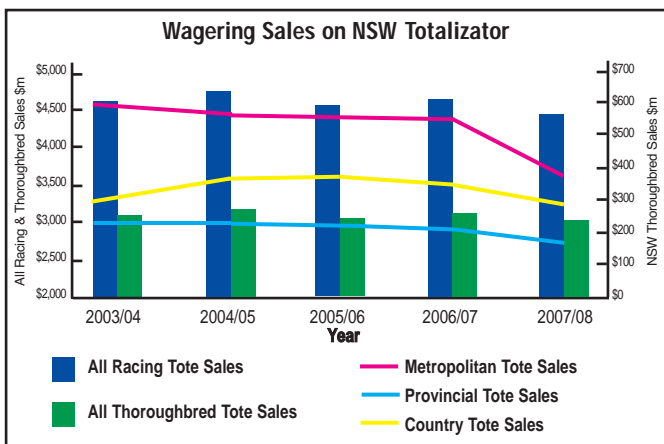
Scott Kennedy
General Manager - Industry

WAGERING ON RACING

Although the wagering environment continues to be reshaped with increased competition nationally, the onset of Equine Influenza ("EI") was the most significant influence on wagering in NSW over 2007/08.

Largely as a consequence of EI, racing sales (all codes) on the NSW totalizator fell by over 4% and thoroughbred sales fell by 6.8% on the levels achieved in 2006/07.

The chart below summarises NSW totalizator sales on all racing, all thoroughbred racing (left hand axis) as well as sales of NSW metropolitan, provincial and country thoroughbred racing (right hand axis).



The chart starkly demonstrates the significant influence of EI on racing from late August to December 2007. The impact of EI on sales for 2007/08 needs to be viewed in context, with the previous year's figures being a better indication of the longer term wagering performance.

In 2007/08, country racing was the sector least impacted by EI, with pockets of NSW, particularly the north coast and south of the State, being EI-free and able to stage a limited schedule of racing, albeit working under bio-security protocols. Metropolitan sales were the most impacted, with the loss of Spring Carnival racing.

INTERNATIONAL RACING AND NSW TOTALIZATOR

Tabcorp continued the expansion in the coverage of international racing events on the NSW TAB and this was accelerated, especially the coverage of events from New Zealand, due to the void in race scheduling over several months arising from EI in NSW and Queensland.

The coverage of racing throughout the world is now a feature of wagering in NSW and in the broader Australian wagering landscape. Coverage of international racing by meetings almost doubled in 2007/08 with international thoroughbred racing accounting for approximately \$180 million in totalizator sales in 2007/08. Thoroughbred racing was covered from 10 different countries in 2007/08.

Importantly, the racing industry is paid fees by Tabcorp on international racing covered on the NSW TAB, but is required to meet 56.25% of the product fees paid back to the racing jurisdiction staging the meeting, making international racing less lucrative to the NSW racing industry than Australian racing.

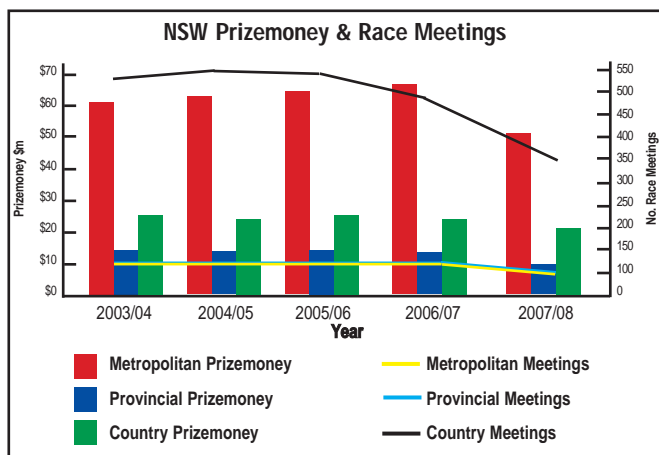
PRIZEMONEY AND RETURNS TO OWNERS

The disruption to racing from EI had a significant impact on the levels of prizemoney and other returns to owners to NSW participants in 2007/08. Across NSW a total of 200 race meetings were lost including spring carnival racing, with a corresponding loss in prizemoney of almost \$18 million on 2006/07.

The chart below summarises prizemoney and the number of meetings held in NSW. In recent years the trend has been toward a reduction the number of race meetings in the country sector.

Metropolitan and provincial racing schedules are at the level required under racing's commercial agreement with Tabcorp.

The reduction in the number of meetings has not stymied the longer term increase in returns to owners, albeit these fell in 2007/08 because of EI.



PRIZEMONEY INCREASES

EI saw significant losses in prizemoney paid from late August to December 2007. Racing NSW and race clubs, conscious of the reduction in prizemoney paid during 2007/08, reviewed prizemoney levels as the EI crisis abated with a view to minimising losses to participants.

As a result of this review, significant increases in prizemoney were introduced from the second half of 2007/08. The nature of prizemoney increases are discussed on the following page, with the value of prizemoney increases through to August 2008 exceeding \$11 million annually.



Group and Listed Races

A minimum prizemoney level for Listed races of \$100,000 per race was introduced from April 2008. The metropolitan clubs increased Group 2 and Group 3 prizemoney minimums to \$150,000 a race and \$125,000 a race respectively from the spring of 2008.

Metropolitan Non-Feature Prizemoney

Following the prizemoney review, Saturday metropolitan prizemoney was increased to \$70,000 per race, the highest level of non-feature prizemoney in Australian metropolitan racing. Midweek prizemoney was also increased to \$27,000 per race.

Provincial Non-Feature Prizemoney

From February 2008, provincial prizemoney increased by \$1,000 a race to \$14,000 a race (midweek) and \$12,000 a race (Saturdays). From 1 July 2008 these levels were increased by a further \$2,000 a race to \$16,000 a race and \$14,000 a race respectively.

Country TAB Prizemoney

Following the prizemoney review, country TAB prizemoney increased from a minimum of \$2,000 a race to \$9,000 a race from March 2008.

PAYMENTS TO RACE CLUBS FROM TAB FUNDING

The effect of EI on wagering sales and costs of Tabcorp impacted fees received by the racing industry. Total distributions to thoroughbred racing from Tabcorp fell by \$9.8 million or 6% to \$149.8 million.

Distributions to race clubs were influenced by a change in the application of the Intra-Code agreed to by the industry for 2007/08.

With reductions in prizemoney and other racing costs to clubs (partly offset by losses in non-wagering revenues) in 2007/08 and race clubs committing to prizemoney increases to be sustained through 2008/09 and beyond, Racing NSW declared an amount of \$9.3 million to be withheld from distributions in 2007/08. These funds were received from Tabcorp, but are being recognised by race clubs as TAB distribution in 2008/09.

Notwithstanding this accounting treatment and losses of revenue from lost race meetings, non-raceday functions and racehorse training revenue, race clubs generally recorded satisfactory underlying financial results for 2007/08.

The following chart summarises TAB distributions and basic elements of returns to owners (RTO) for 2007/08 and preceding years.

RACE CLUB DEVELOPMENTS

The most significant development during 2007/08 was the opening of the \$30 million Grand Pavilion by the Sydney Turf Club at its Rosehill Gardens Racecourse.

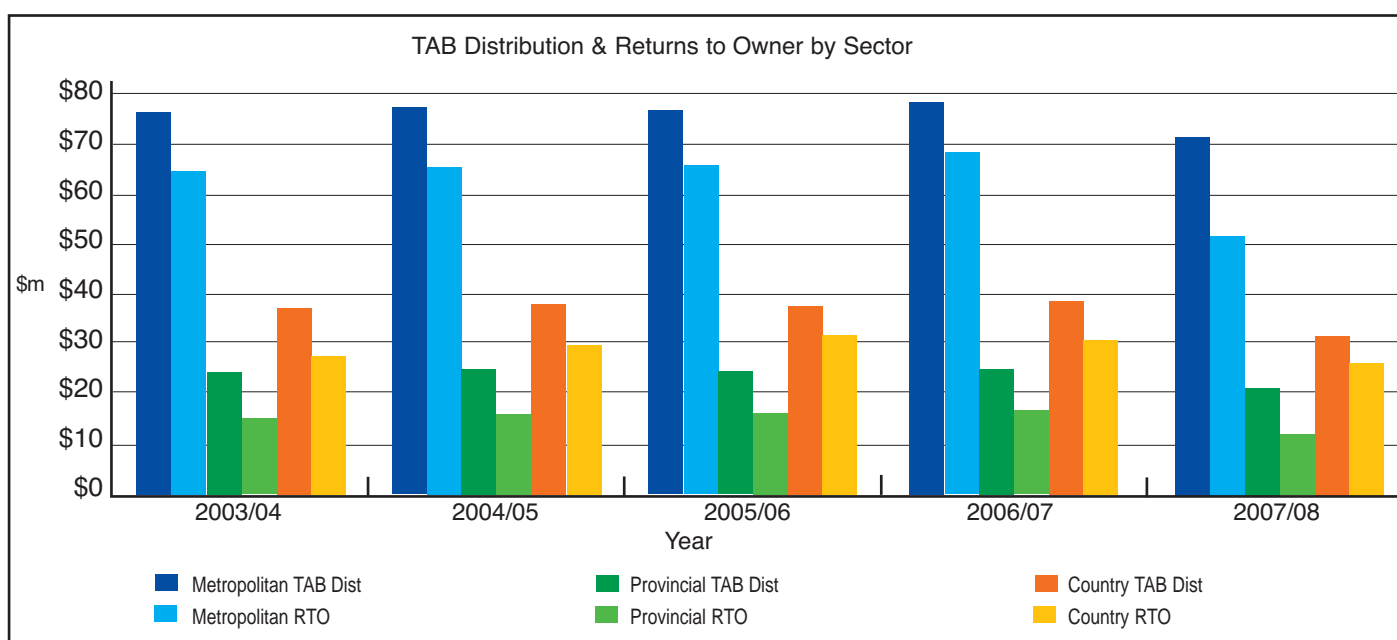
The Grand Pavilion will play an important role in the club's commercial operations, circumventing the need for the STC to hire temporary constructions during carnivals, increased exhibition space for non-raceday events and providing new and improved facilities for corporate events.

The STC also announced that the World of Golf development at Canterbury Park Racecourse was approved by Canterbury Council in May 2008, with completion of the project expected in 2009.

With the benefit of Government funding related to the conduct of World Youth Day, training facilities were upgraded at Warwick Farm, Royal Randwick and Rosehill Gardens Racecourses at a total cost of more than \$16 million.

The provincial sector was due to commence a revised scheme of distribution in 2007/08, but delayed its introduction until July 2008, on the back of uncertainty arising from EI.

Tabcorp's sponsorship of country and provincial racing commenced in July 2007 and was maintained despite the disruption caused by EI. The sponsorship is enabling country and provincial racing to meet the prizemoney increases discussed above.





Keith Bulloch
General Manager - Regulatory

BACKGROUND

The role of the General Manager-Regulatory is to manage the following functions:

- Licensing of industry personnel;
- State-based registration functions including changes of horse ownership, transfers and leases;
- Syndications;
- ASIC communication;
- Racing colours;
- Jockey Safety Secretariat;
- Benevolent Fund;
- Rules of Racing, betting and some disciplinary inquiries in conjunction with stewards; and
- Project work as assigned.

The General Manager-Regulatory has a supervisory role in regard to these areas, including senior management reporting and implementation of Racing NSW policy. Departmental activities are reported under department headings below.

In addition to these, specific project work was commenced, or carried over into the 2007/08 year, and included:

EQUINE INFLUENZA CRISIS – COMMERCIAL HORSE ASSISTANCE PAYMENT SCHEME (CHAPS)

The Chief Executive was responsible for securing funding from the Federal Minister for Agriculture, Fisheries and Forestry for the CHAPS Scheme, which provided a per horse per day payment to trainers and through them, owners, for each horse that was in training at the time of the EI lockdown.

The payment was to provide for the welfare and ongoing training of horses to ensure they remained fit and healthy during the period of EI. The scheme was extended from the original period for an additional 12 weeks across the State, then a further short period for those horses still in restricted zones as at 8 February.

Racing NSW administered the scheme, on behalf of the Federal Government, according to a detailed funding agreement signed by both parties. Applicants needed to be the licensed trainer of racehorses that would otherwise be active and potentially earning an income if not for the EI outbreak and resulting standstill.

The General Manager-Regulatory was responsible for the development and management of the administration process for CHAPS, including the publishing of information documents and application forms, and assessing and approving claims before forwarding them to the finance division for payment and associated services.

An agreed amount of \$10 per horse per day from the CHAPS payments was retained by Racing NSW for distribution to other affected industry participants such as jockeys, farriers, transporters

and the like. The process was managed by the General Manager-Analytical.

The unspent funds from these retained payments were later distributed on a pro-rata basis to trainers and owners of horses originally approved in CHAPS I and II.

The effort and commitment from the staff of Racing NSW in ensuring the CHAPS Scheme was properly administered and effectively managed was exemplary.

JOCKEYS' SAFETY REVIEW

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

- Professor Andrew McIntosh of the UNSW School of Safety Science has developed and tested alternate combinations of materials with an aim to producing an improved jockey/rider helmet. The next stage of the project involves computer simulation testing of the preferred combinations to measure how they would react under different pressures. If favourable results are produced, the materials will be moulded into headform shapes as prototype helmets for crash-dummy testing*;
- Completing the transfer and upgrade of the Australian Racing Incidents Database "ARID" into existing Racing IT systems to establish a National Racing IT platform for the recording of rider and non-rider incidents/injuries*;
- Progressing the research into alternate running rails including the trialling of marker pegs in place of running rails at NSW metropolitan and provincial barrier trials, and the testing and installation of plastic running rails by Racing Victoria at several Victorian racetracks; and
- The appointment of a National Medical Adviser by the Australian Racing Board to oversee medical, health and performance policies for industry participants

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

AUSTRALIAN SECURITIES & INVESTMENT COMMISSION (ASIC) - SYNDICATORS

Racing NSW continues to act as lead regulator for the syndication of racehorses in NSW under arrangements agreed with ASIC.

This year, a review of advertising commenced in March with a view to providing consistency across the range of advertising styles adopted by the syndicators. Racing NSW called a subsequent meeting in May 2008 to discuss our role in assessing the content of advertisements to ensure that the public is adequately informed about the shares on offer, and checking the accuracy of statements made in these advertisements.

Other matters discussed included the new requirement of ASIC for Professional Indemnity Insurance, and the possibility of the formation of a representative group of syndicators.

JOCKEY PUBLIC LIABILITY INSURANCE ("PLI")

The NSW and National Jockeys' Associations were able to secure a reduction in their PLI policy cost due to the EI outbreak, and resulting reduced activity. This saving was on top of a significant reduction that they had already achieved before EI.



The premium for NSW for 15 months commencing 1 October 2007 and ending 31 December 2007 produced significantly reduced costs for riders.

In further good news, from the various assistance packages secured by the Chief Executive from the Federal and State Governments, a full 12 months' worth of the jockeys' PLI cover was paid on their behalf.

TRAINERS' PUBLIC LIABILITY INSURANCE POLICY (PLI)

The renewal of the national policy was confirmed by the Australian Trainers' Association ("ATA") for the 12-month period 1 August 2007 to 31 July 2008. As is practice, Racing NSW collects levies from trainers on behalf of the ATA, but it is the ATA that negotiates and secures the policy.

Unfortunately, the NSW portion of the annual premium rose by 12% from the previous year. This was against market trends. As a consequence, Racing NSW undertook a review into the premium increases applied to the trainers' Public Liability policy, and the ATA has agreed to engage with the newly-formed NSW Trainers' Association to pursue a renewed tender process when the policy is next reviewed.

This year's premium was also later offset by a reduction in the PLI policy cost due to the EI outbreak, and resulting reduced activity. In further good news, from the various assistance packages secured by the Chief Executive from the Federal and State Governments, the full 12 months of the trainers' PLI cover was paid on their behalf.

RACE FIELDS LEGISLATION

In preparation for the introduction of the Race Fields Legislation, planning for the integrity and administration system requirements commenced. A central reporting and integrity platform is proposed, and Racing NSW will work closely with the NSW Office of Liquor, Gaming & Racing and Licensed Wagering Operators to establish a compatible system.

LICENSING

The Racing NSW Licensing Department is responsible for the issuing of NSW industry licences. Criteria regarding applicants' qualifications apply, depending on the category of licence sought.

The Board's Licensing Committee met on four occasions during 2007/08. The role of the Licensing Committee with oversight of the Board is to set licensing policy and procedure for Racing NSW. Applicants for licences may be further interviewed at these meetings, and decisions or recommendations may be forwarded to the Board for approval.

Board Licensing Committee: Mr Don Hopkins OAM (Chairman)
Mr Rob Ferguson

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

From March 2008 the Board elected to replace the Board Licensing Committee with a Licensing Committee comprised of Racing NSW management.

AMENDED EXPIRY DATES FOR FOREPERSONS, STABLEHANDS & BOOKMAKERS' CLERKS

Following a review of renewal processes, in an effort to spread the licence costs for trainers and participants; to evenly distribute the workload of the licensing department and to reduce the 'peak period' experienced in July/August, a decision was made to amend the expiry date for forepersons, stablehands and bookmakers' clerks to 31 October each season. By separating this group from the other licence types, which will continue to expire on 30 June, it is anticipated that a more efficient renewal process will follow.

REVIEW OF BOOKMAKERS' GUARANTEES

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

In 2007/08, two bookmakers were obliged to upgrade their guarantees to comply with the schedule. An application from one bookmaker to reduce their guarantee due to a decrease in turnover was also approved this year.

EXTENSION TO APPRENTICES' INDENTURES DUE TO OPPORTUNITIES LOST DURING EI-ENFORCED SHUTDOWN

All apprentice jockeys were provided with the opportunity of extending their indentures for a period of four months, due to a loss of opportunity caused by EI.

COMPARISON OF LICENSING STATISTICS – 2007/08 vs 2006/07

NSW licensing statistics experience slight variances from year to year. In 2007/08 most licence categories experienced a slight decrease in numbers this season.

The number of trainers licensed last season was down by 4.5%. This is slightly more than last year's decrease of 1.5% and is more consistent with the yearly decrease in numbers experienced since the mid to late nineties.

Increasing general expenses, including the high cost of fuel and the lack of new applicants during the EI outbreak may all have contributed to the decrease experienced this season.

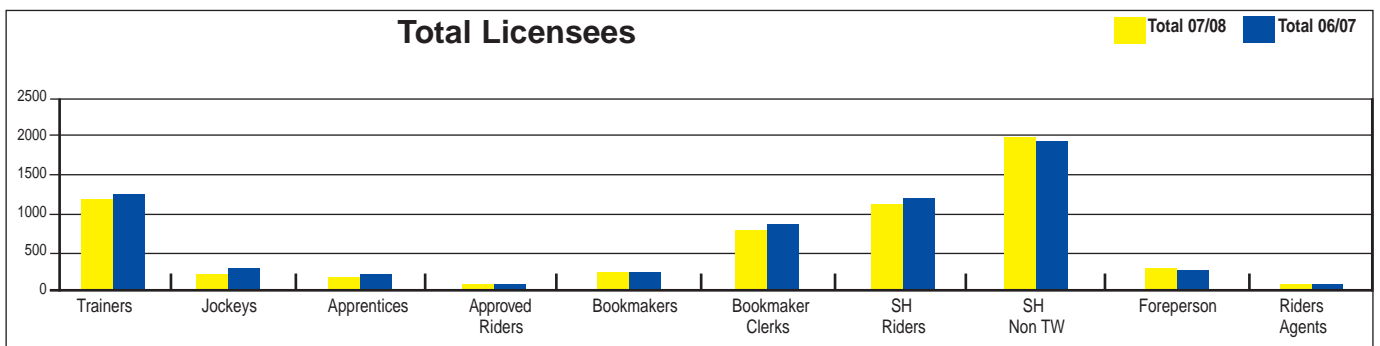
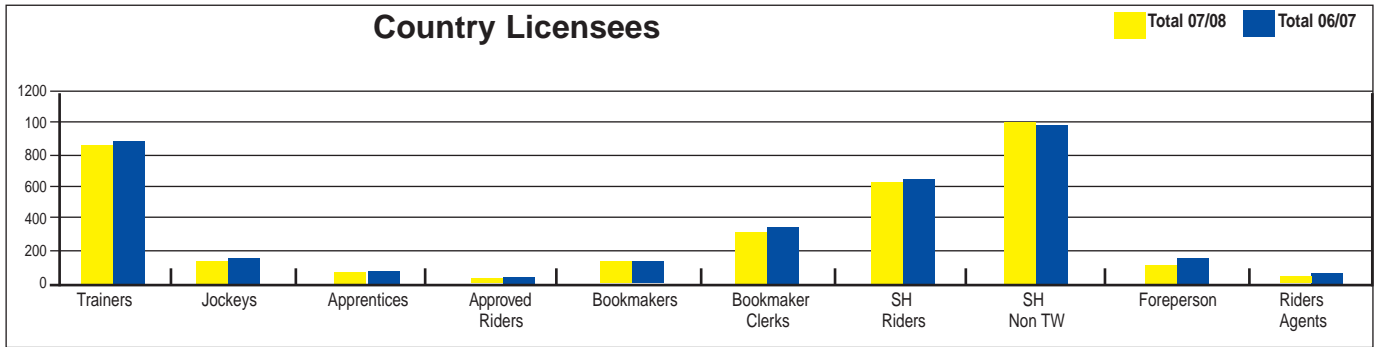
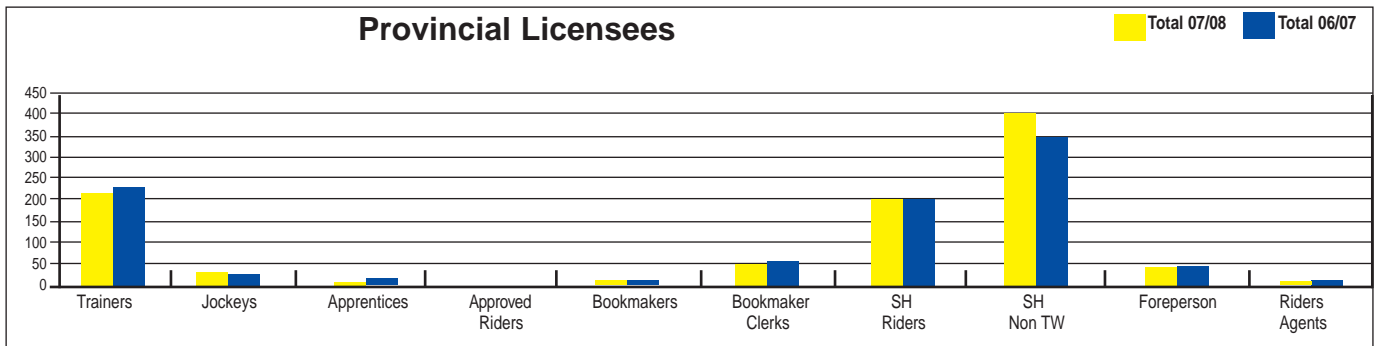
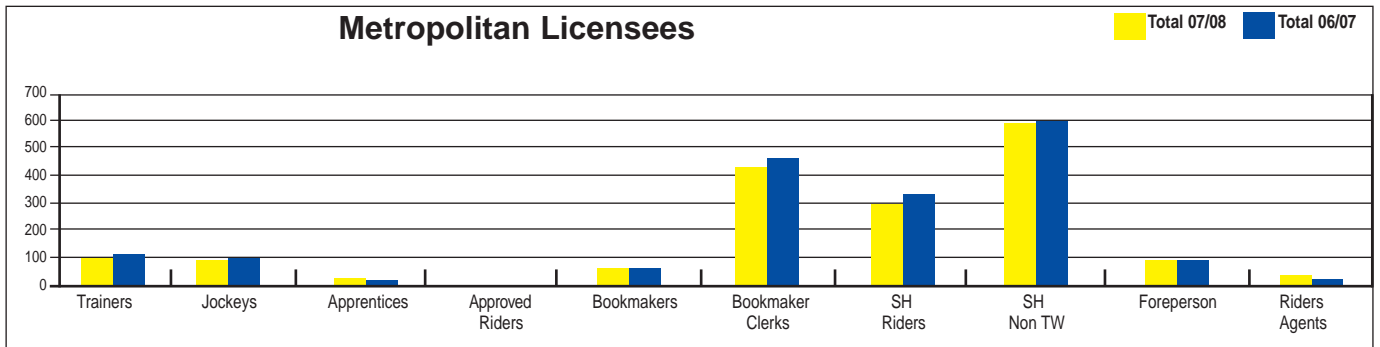
There was a fall in the number of jockeys licensed this season, however, this is the overall figure which includes jockeys who are based interstate. As a number of interstate-based jockeys only ride in NSW on one or two occasions per year, it is likely that this figure is exaggerated due to the lack of racing during the EI-enforced shutdown.

The fall in the number of NSW resident jockeys was less significant. It is envisaged that the decrease in local jockeys will be offset by the initiatives to increase the opportunities for apprentice jockeys over recent years and increase the number of new riders entering the industry.

	Metropolitan		Provincial		Country		Total	
	Total 07/08	Total 06/07	Total 07/08	Total 06/07	Total 07/08	Total 06/07	Total 07/08	Total 06/07
Trainers	108	114	218	232	850	886	1176	1232
Jockeys	86	90	26	25	133	174	245	289
Apprentices	19	14	9	11	85	98	113	123
App Riders	-	-	-	-	37	44	37	44
Bookmakers	61	59	10	10	150	151	221	220
BM Clerks	426	463	56	66	329	357	811	886
SH Riders	293	327	200	199	635	645	1128	1171
SH Non TW	596	600	401	349	995	983	1992	1932
Foreperson	88	84	44	36	152	155	284	276
Rider Agents	21	17	5	5	19	22	45	44
Total	1698	1769	969	933	3385	3515	6052	6217

LICENSING STATISTICS – FINAL 2007/08

NB – All jockeys or apprentices who ride in NSW are required to hold a licence in this State. As such the above statistics include those who are based interstate. Resident NSW jockeys – 149 (158); apprentices – 72 (72)





REGISTRATION OF RACEHORSES

(Identification, naming & ownership)

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

The National Office sets policy, and, when required, makes recommendations to the Australian Racing Board if significant amendments are proposed to existing practices.

The National Office is responsible for the original registration and naming of all horses (around 13,500 – 14,000 per year) and additional transactions and associated services. State-based functions are those such as transfers, leases, syndicates and colours, which, in NSW, are managed by Racing NSW.

With the retirement of a member of the licensing department in July 2007, it was decided to consolidate licensing and State horse registration functions to the regulatory department by effecting the transition of all Racing NSW registration functions.

This process began in August, with all work being handed over from the Registrar of Racehorses on 17th September. Calindy Conway, who had been retained by the registration department as a Racing NSW employee, took on the new role of Administration Co-ordinator-Regulatory.

With the merging of registration and licensing, it became prudent to alter the renewal date for racing colours. As the first batch of colours which came under the 5-year renewal period became due in 2008, a decision was made to change the renewal date from 1 July 2008 to 1 March 2009.



This change was confirmed by an amendment to Local Rule LR 102 on 18 June 2008, and benefited the subscribers with an extra seven months of registration.

The department also manages the registration of Licensed Syndicate Promoters, and reviews Product Disclosure Statements and advertisements relating to the selling of shares in racehorses by these licensed promoters.

This process for Racing NSW to act as Lead Regulator of Syndicate Promotions is agreed with ASIC. Early in the year ASIC advised of a requirement for all promoters and authorised representatives to have appropriate Professional Indemnity Insurance in place by 30th June.

A number of insurers issued proposals to promoters to assist in making this process as inexpensive and practical as possible. All active promoters and representatives provided evidence of having the necessary cover by the due date.

FINANCIAL YEAR IN REVIEW

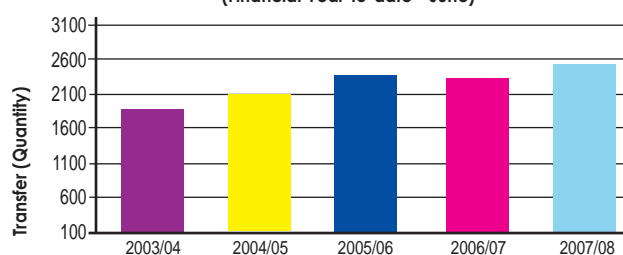
By the end of the 2007/08 financial year the registration and regulatory departments had recorded 13,343 horse registrations. NSW contributed 3,959 registrations, and 2,490 transfers and 1,074 leases were assessed and approved by Racing NSW. In addition 386 syndicates were also registered in NSW.

While the outbreak of E1 in August 2007 undoubtedly had an effect on the overall registration figures for the year, the number of transfers, leases and syndicates being registered steadily picked up as confidence returned to the industry.

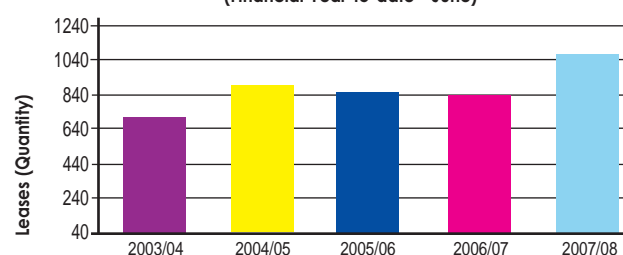
A number of tried horse sales in March, the first for many months, saw an increase in transfers processed, with May and June figures some of the highest on record.

Syndicate registration continued at the same rate as 2006/07. While there was no increase in the number of syndicates being registered, almost 25% of all horses registered contained at least one syndicate in the ownership; a small increase on last year.

NSW Transfers
(Financial Year-to-date - June)



NSW Leases
(Financial Year-to-date - June)





Maurice Logue
General Manager - Education & Employment

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 have integral parts of a participant's future qualifications.

The objectives of the Industry Training Department include:

- Assisting the Department of Education to develop training packages to cover all vocations within the racing industry;
- Increasing apprentice jockey and trackwork rider numbers;
- Increasing riding opportunities for apprentice jockeys to ride in races;
- Managing and delivering industry training;
- Managing the Racing NSW Rising Star Apprentice Race Series
- Encouraging greater participation of young people in the racing industry;
- Assisting people entering the racing industry to find their most suitable career path;
- Ensuring participants are informed about the national Racing Industry Training Package;



- Providing equitable training throughout the country, provincial and metropolitan areas;
- Developing an indigenous employment strategy for the racing industry; and
- Gaining State and Federal funding to assist with the delivery of training for the racing industry.

The process begins with visits by Racing NSW to career markets, schools and pony clubs spreading the recruitment message to attract new participants to the industry.

New and existing industry trainees are then brought into the Talent Identification Program for career path assistance. The marketing theme continues with the co-ordination of 'apprentice jockey only' races which promotes industry careers and training to the broader community.

TALENT IDENTIFICATION PROGRAM

Racing NSW was forced to cancel its usual Talent Identification intakes in January and February 2008 due to the E1 virus. Early in 2008 the Training Department received a donation of eight retired racehorses to assist with establishing a Skills Centre. This will enable a year-round Pre-Vocational Training Program to address the skilled worker shortage and provide a pool of semi-skilled workers for the racing industry.

PROMOTIONS AND RECRUITMENT

An increase in the profile of careers in racing took place this year with Racing NSW having representation at 15 careers markets (each market attracting between 2,000 and 7,000 students), three pony club camps, and 16 high schools. The majority of pony club camps were cancelled as a result of the E1 virus.

RACING NSW RISING STAR APPRENTICE SERIES

The eighth consecutive staging of the Racing NSW Rising Star Apprentice Series was held between February and June with 23 heats being staged. The final was held at Hawkesbury Racecourse, with Warwick Farm apprentice Patrick Murphy winning the series on a count back from Nathan Berry.

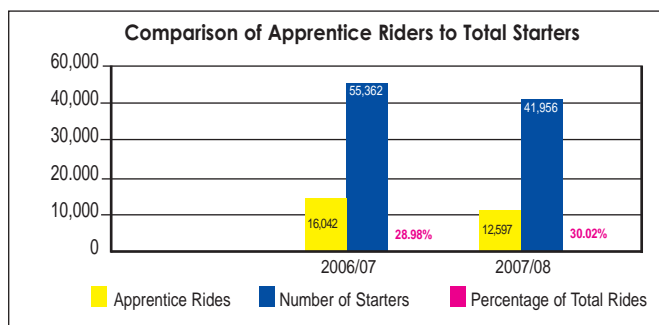
APPRENTICE WINNING RIDES

The 2007/08 season provided many challenges resulting from the equine influenza outbreak, however, NSW apprentice jockeys still rode more metropolitan winners in the season than in 2004/05.

APPRENTICE RIDES

	2004/2005	2005/2006	2006/2007	2007/2008
Metropolitan	120	147	249	128
Provincial	140	179	218	145
Country	1089	879	1008	726
Total Winning Rides	1349	1205	1475	999

The overall apprentice ride summary for the 2006/07 season is comparable with that of the 2007/08 season. This table includes metropolitan, provincial and country statistics.



Over the last 12 months NSW apprentices have been showing continued improvement as demonstrated in the graph above. The improvement has been brought about by Racing NSW continuing to deliver training and providing support to the apprentices using industry teachers and mentors.

APPRENTICE JOCKEY NUMBERS

At the close of the 2007/08 season there were 77 NSW-indentured apprentice jockeys including 17 trialling riders in NSW. In addition there were 98 Certificate II Stablehand Trainees.

CLUB EMPLOYED APPRENTICE JOCKEY PROJECT

In June the Training Department ran a pilot program with Clarence River Jockey Club. The club employed an apprentice jockey and hosted the apprentice out to local trainers on a fee-for-service basis. The club paid a weekly wage to the apprentice and collected fees from the trainers that were providing work for the apprentice.

The arrangement worked well, but unfortunately the apprentice has decided to move away and accept a position at Coffs Harbour with a single employer. This model works well in situations where there is no individual employer at a training centre large enough to employ a rider or apprentice outright.

LABOUR AGREEMENT

The Labour Agreement expired in October 2007 and we were granted an extension until early 2008. The Department of Employment and Workplace Relations is currently changing the conditions that work riders are able to enter Australia under the 457 Labour Agreement Visa and it is expected to be approved in September 2008.

We have been informed the changes will make it increasingly more difficult to gain approval under the 457 Visa. However, we have had ongoing meetings with the Department of Immigration, Multicultural and Indigenous Affairs to discuss other Visa options for the temporary entry and employment of overseas trackwork riders in NSW.





Nathan McLellan
Insurance Manager/Legal Counsel

WORKERS COMPENSATION

Racing NSW is licensed to provide dedicated workers compensation insurance to participants in the NSW Thoroughbred Racing Industry. Since 1 July 2006, the claims management, injury management, administration and legal requirements of the fund have been sourced internally.

The object of the fund is to provide cost-effective workers compensation insurance to participants in an inherently dangerous industry.

The Fund strives to develop internal expertise in the thoroughbred industry such that Racing NSW is able to efficiently meet the needs of injured workers and their employers. The following is a summary of the Fund's 2007/08 performance:

- Following a continued focus on injury management, claims management and other compliance measures, the Fund again reported significant improvements following an audit by WorkCover NSW in July 2008;
- More disciplined claims management has resulted in a continued reduction in the number of open claims in the last 24 months from 464 at 30 June 2006, to 316 at 30 June 2007, and 293 in June 2008 (a reduction of 37% in the size of the portfolio in the period from June 2006 to June 2008);
- Notwithstanding Equine Influenza, the frequency of claims was significantly higher than expected in the period from 1 July 2007 to 31 January 2008. However, the incidence of serious injuries (including fractures) appears to have decreased in that same period and as a result, gross claim payments were lower than previously projected; and
- The projected outstanding workers compensation liability at 30 June 2008 has been estimated at \$25.8 million net of reinsurance recoveries.

'EXEMPT EMPLOYERS'

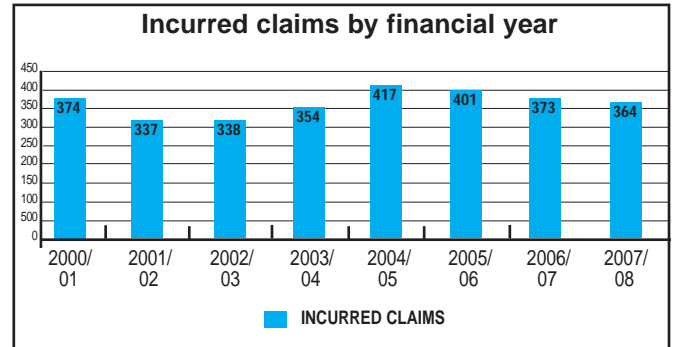
With effect from 1 July 2008, employers who reasonably expect to pay \$7,500 or less in wages per annum are no longer required to hold a policy of workers compensation insurance. Those 'exempt' employers are instead deemed to hold a policy of insurance with the Nominal Insurer and claims arising from those employers will not be managed (or paid for) by Racing NSW.

In the context of thoroughbred racing, trainers and clubs who have declared that their estimated wages during the 2008/09 financial year will not exceed \$7,500 will not be charged workers compensation premiums (including activity premiums).

Racing NSW is monitoring the effect of this exemption on premium revenue and the volume of new claims. The data available as at 31 August 2008 suggests that annual premium revenue will be reduced by approximately \$650,000. However, it is not yet possible to identify the extent of any reduction in claims frequency.

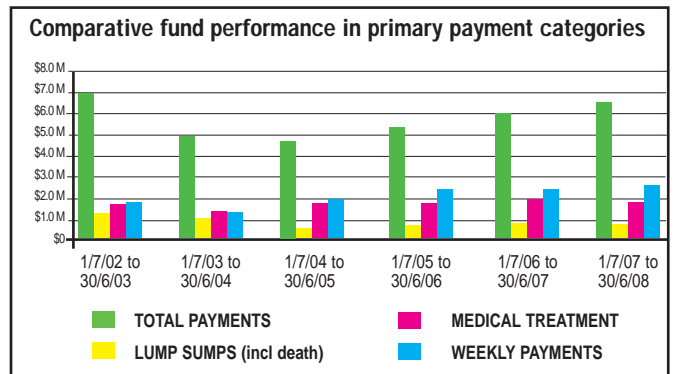
CLAIM NUMBERS

On average, 370 claims have been reported during each financial year since 2000/01. However, that average figure has been inflated by the unusually high number of claims recorded during each of 2004/05 and 2005/06. The results for 2006/07 and 2007/08 suggest that the number of new claims made each year has stabilised.



PAYMENTS

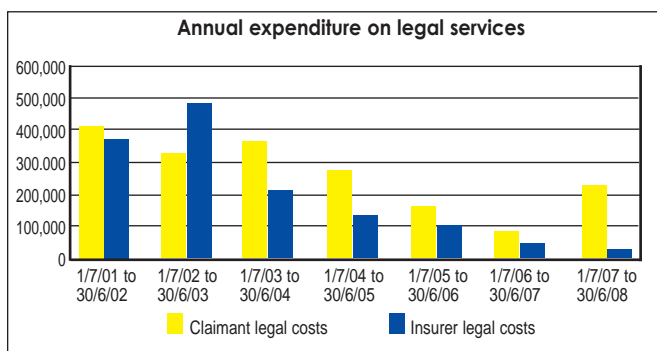
The graph below illustrates the total payments made by the Fund for each year since 2002/03 together with the quantum of payments in each of the primary expense categories (lump sums, medical treatment and weekly payments).



The aggregate amount paid by the Fund each year has increased consistently since 2004/05. However, it is important to emphasise that total payments are a function of more than just claim numbers.

In addition to the frequency of new claims and the development of existing claims, the Fund's liabilities are affected by factors such as the incidence of severe or catastrophic injuries, the bi-annual indexation of weekly compensation benefits, legislative changes and general inflationary pressures in relation to the cost of medical and related services.

One of the primary advantages of in-house claims and litigation management has been a substantial reduction in external legal costs. In addition, the Fund has pro-actively pursued the early settlement of appropriate claims and has benefited from the statutory regulation of costs in workers compensation matters generally.



- A continued focus on injury management and more frequent participation in case conferences with injured workers and their medical specialists;
- A renewed focus on third-party recovery actions; and
- An intensive review of long-term claims with a view to crystallising liability in appropriate instances.

GENERAL INSURANCE AND PUBLIC LIABILITY

Racing NSW has again negotiated the placement of public liability, property and other forms of general insurance on behalf of race clubs and industry bodies such as the ARB and RACINGCORP. Aside from administrative convenience, significant cost efficiencies continue to be realised by the group placement of such insurance policies.

Despite substantial claims in recent years (including due to inclement weather which impacted on the Motor Vehicle and Industrial Special Risks policies in particular), the 2008/09 placement was achieved with only a nominal increase in the aggregate premium payable for the overall placement.

Further, Racing NSW has continued in its efforts to build relationships with key underwriters. That strategy seeks to benefit from the prevailing "soft" conditions in the insurance market whilst concurrently positioning the industry to most efficiently manage the expected "hardening" of the market in forthcoming years.

INITIATIVES FOR 2008/09

Racing NSW will seek to further improve the efficiency of its workers compensation operations in 2008/09 through the following initiatives:

- An ongoing focus on monitoring the reduction in premium revenue associated with the introduction of the 'exempt employer' classification and the impact of same on the frequency and average cost of claims;
- The establishment of a panel of rehabilitation/return-to-work service providers based on criteria that include historical performance, price, geographic spread and demonstrated knowledge of the thoroughbred industry;



Racing NSW and all NSW race clubs are bound by various agreements that determine the flow of financial distributions from Tabcorp.

RACING DISTRIBUTION AGREEMENT (RDA)

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

ROLES OF EACH PARTY

The roles of each party are:

- The NSW racing industry supplies the “product” to Tabcorp;
- Tabcorp “sells” the product through wagering outlets;
- The racing industry receives a share of the net wagering revenue and net earnings of Tabcorp’s NSW wagering business; and
- Each of the racing codes and sectors must co-operate in matters such as programming and race date allocation so as to fulfill the mutual objectives of the racing industry and Tabcorp.

RACINGCORP (FORMERLY NSW RACING PTY LTD)

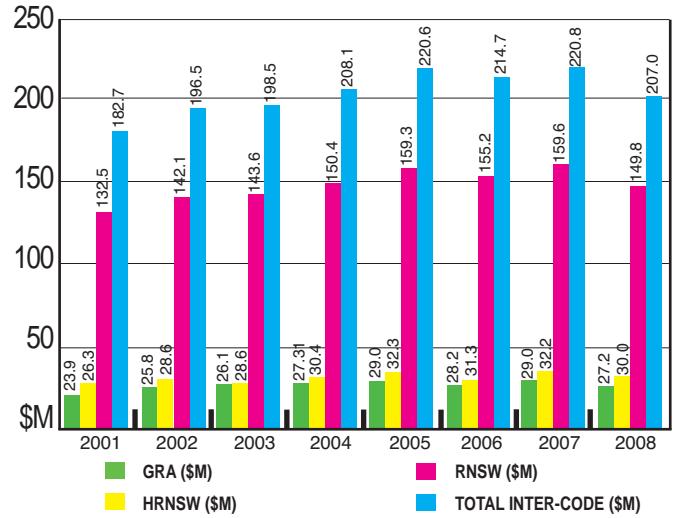
Racing NSW, Harness Racing NSW and Greyhound Racing NSW are the controlling bodies of each racing code in NSW. Together, they established the company RACINGCORP to represent them under the RDA and act as the interface between the racing industry and Tabcorp.

The Board of RACINGCORP comprises 6 members from the thoroughbred code, 3 members from the harness code and 3 members from the greyhound code. The thoroughbred code members for the 2007/08 year were:

- Mr Gary Pemberton AC
- Mr Don Hopkins OAM
- Mr Graeme Pash (replaced by Mr William Picken on 17 June 2008)
- Mr Brian Reardon
- Mr Peter V’landys
- Mr Noel Bracks

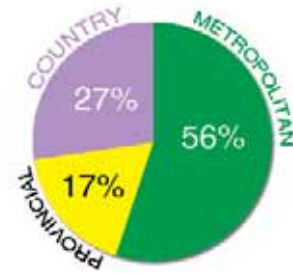
INTER-CODE AGREEMENT

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

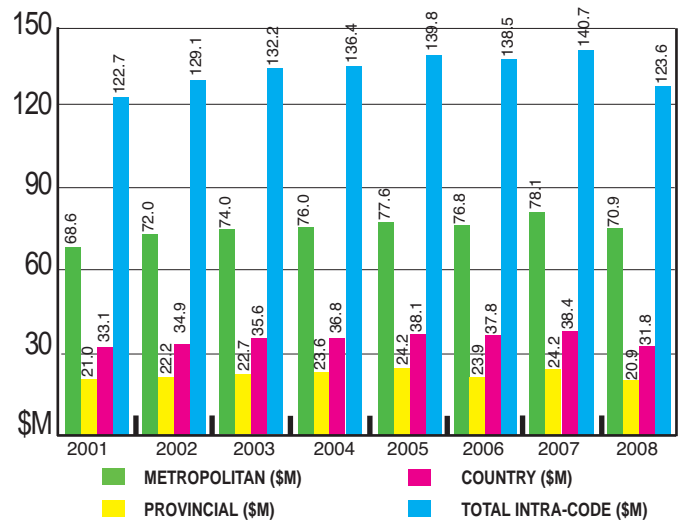


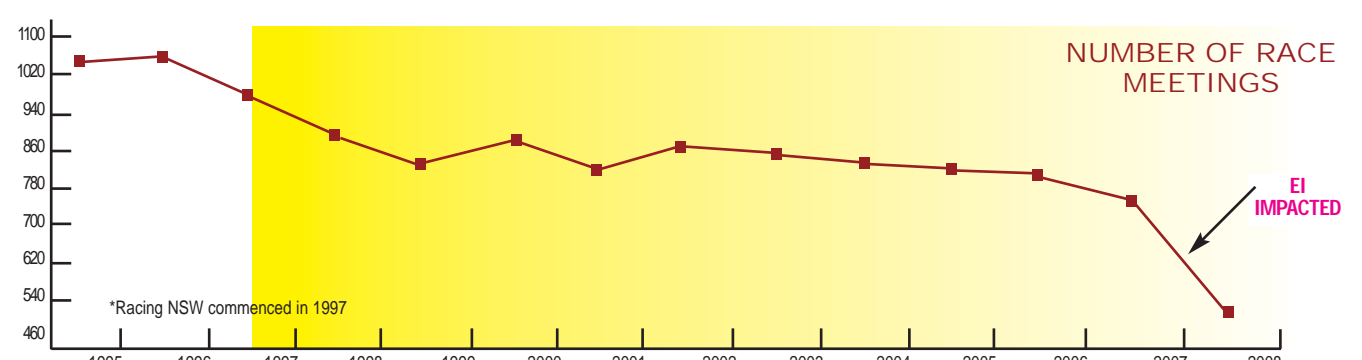
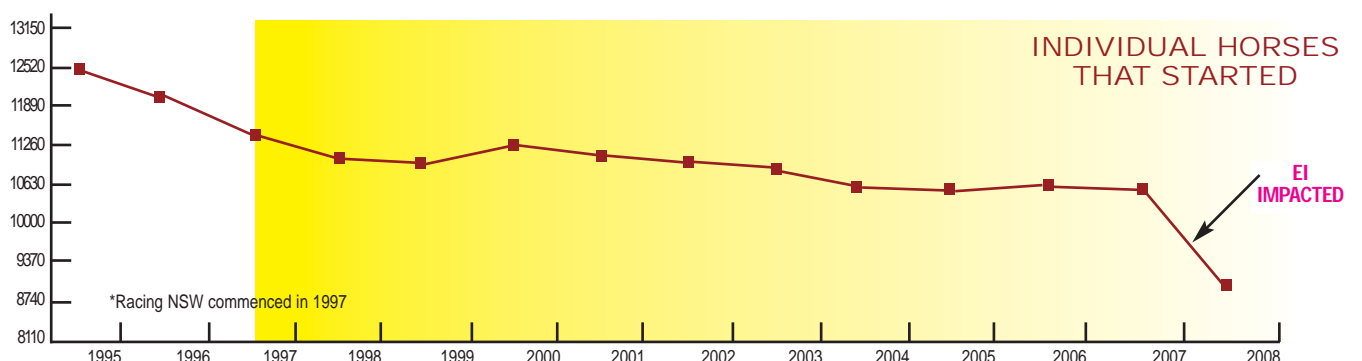
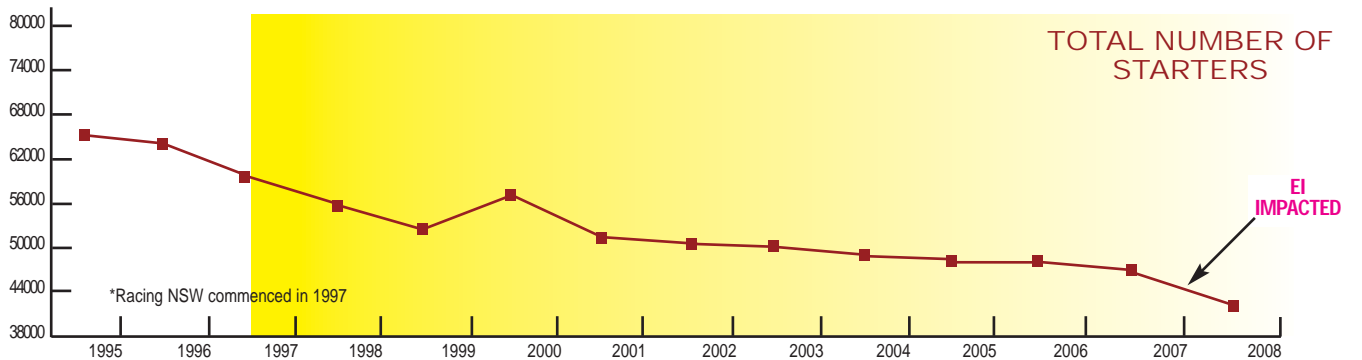
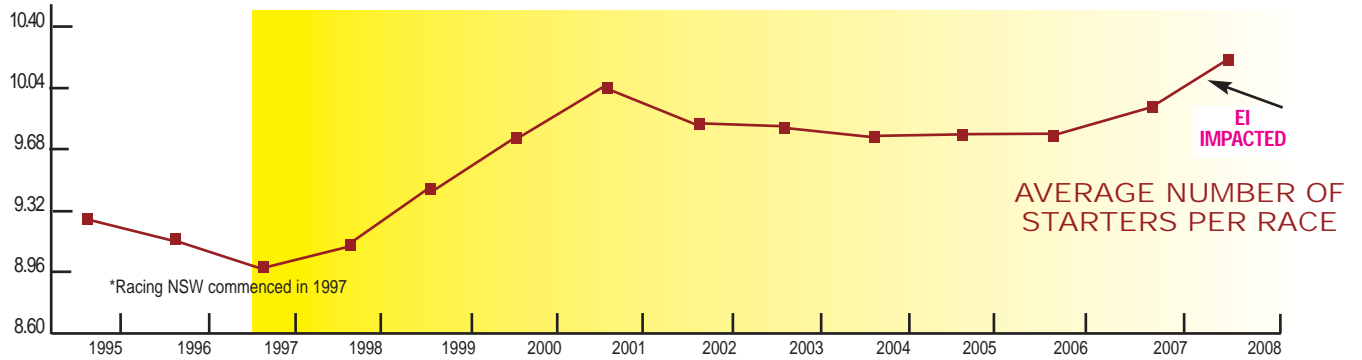
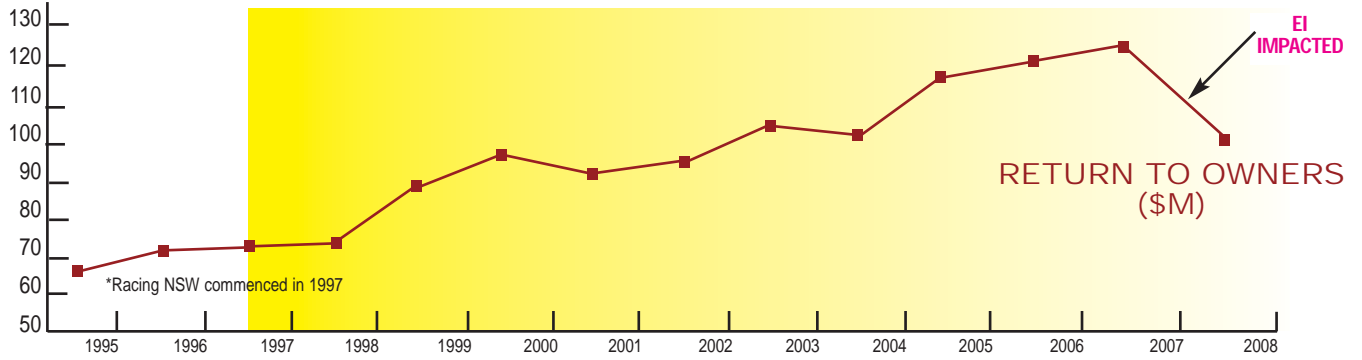
INTRA-CODE AGREEMENT

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



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





FINANCIAL STATEMENTS



31	Profit/Loss Statement - General Activities Profit/Loss Statement - Workers Compensation Fund
32	Profit/Loss Statement - Consolidated (Income Statement)

33	Balance Sheet
35	Notes
56	Declaration & Audit Report



PROFIT/LOSS STATEMENT - GENERAL ACTIVITIES

FOR THE YEAR ENDED 30 June, 2008

	2008 \$	2007 \$
REVENUE		
Revenue from Operating Activities		
Sale of Goods - Publications	525,554	663,568
Sale of Services	4,202,958	5,329,046
	4,728,512	5,992,614
Revenue from Non Operating Activities		
Gain/(Loss) on Disposal of Assets	12,911	(10,336)
Interest - General	1,306,864	749,778
	1,319,775	739,442
REVENUE FROM ORDINARY ACTIVITIES	6,048,287	6,732,056
EXPENSES		
Analytical	240,431	184,925
Finance	431,922	341,242
Administration/Executive	4,509,791	3,942,918
Legal	84,417	287,636
Licensing	178,359	197,444
Race Results	2,919	48,446
Publications	503,677	600,626
Laboratory	1,993,032	2,373,137
Handicapping	291,637	235,279
Stewards	2,793,632	2,745,446
Veterinary	431,359	499,549
Syndicates	4,595	49,469
Media	103,894	110,504
Thoroughbred Trainers Service Centre	77,624	118,676
Industry Training	541,087	418,548
Stakes Payments	320,210	333,072
Information Technology	447,472	539,368
Racing Office	187,115	155,941
Finance Costs	50,044	77,847
EXPENSES FROM ORDINARY ACTIVITIES	13,193,217	13,260,073
Share of profit of associate (RISA)	82,662	517,062
Net Equine Influenza Expenses	(617,589)	-
First Charge	7,925,551	8,118,113
Funds after applying First Charge transferred to Reserves	245,694	2,107,157
Appearance Fees disbursed during the year, recouped through a first charge on TAB distributions	4,978,400	6,521,200

PROFIT/LOSS STATEMENT - WORKERS COMPENSATION FUND

FOR THE YEAR ENDED 30 June, 2008

	2008 \$	2007 \$
REVENUE		
Revenue from Operating Activities		
Workers Comp Premiums/Charges	8,799,376	7,962,639
	8,799,376	7,962,639
Revenue from Non Operating Activities		
Interest - Workers Comp Fund	666,757	516,128
Movement in market value of investment fund	(2,162,842)	2,439,521
	(1,496,085)	2,955,649
REVENUE FROM ORDINARY ACTIVITIES	7,303,291	10,918,288
EXPENSES		
Workers Compensation Payments	6,296,163	6,364,831
Workers Compensation Provisions	6,659,750	(2,322,750)
Workers Compensation Administrative & Regulatory	1,512,934	1,271,886
Finance Costs	81,904	105,518
EXPENSES FROM ORDINARY ACTIVITIES	14,550,751	5,419,485
Funds Transferred to Reserves	(7,247,460)	5,498,803

INCOME STATEMENT

CONSOLIDATED - GENERAL ACTIVITIES AND WORKERS COMPENSATION FUND

RACING NSW ABN 86 281 604 417

FOR THE YEAR ENDED 30 June, 2008

	Note	2008 \$	2007 \$
REVENUE AND OTHER INCOME			
REVENUE			
Sale of Goods - Publications	5(i)	525,554	663,568
Sale of Services	5(ii)	4,202,958	5,329,046
Workers Compensation Fund Premiums & Revenues	5(iii)	8,799,376	7,962,639
First Charge	5(iv)	7,925,551	8,118,113
Appearance Fee Receipts	5(v)	4,978,400	6,521,200
OTHER INCOME			
Gain/(Loss) on Disposal of Assets	5(vi)	12,911	(10,336)
Interest other parties	5(vii)	1,973,621	1,265,904
Movement in net market value of investments integral to insurance activities		(2,162,842)	2,439,521
TOTAL REVENUE AND OTHER INCOME		26,255,529	32,289,655
EXPENSES			
Analytical	5(viii)	240,431	184,925
Finance	5(ix)	431,922	341,242
Administration/Executive	5(x)	4,509,791	3,942,918
Legal	5(xi)	116,757	287,635
Licensing	5(xii)	178,359	197,444
Race Results	5(xiii)	2,919	48,446
Cost of Goods Sold - Publications	5(xiv)	503,677	600,626
Laboratory	5(xv)	1,993,032	2,373,137
Handicapping	5(xvi)	291,637	235,279
Stewards	5(xvii)	2,793,632	2,745,446
Veterinary	5(xviii)	431,359	499,549
Syndicates	5(xix)	4,595	49,469
Media	5(xx)	103,894	110,504
Thoroughbred Trainers Service Centre	5(xxi)	77,624	118,676
Industry Training	5(xxii)	541,087	418,548
Stakes Payments	5(xxiii)	320,210	333,072
Information Technology	5(xxiv)	447,472	539,368
Racing Office	5(xxv)	187,115	155,941
Appearance Fee (unplaced starters)	5(xxvi)	4,978,400	6,521,200
Workers Compensation Fund Expenses	5(xxvii)	14,436,507	5,313,967
Finance Costs	5(xxviii)	131,948	183,365
TOTAL EXPENSES		32,722,368	25,200,757
Share of profit of associate (RISA)	10	82,662	517,062
Net Equine Influenza Expenses	5(xxix)	(617,589)	-
(LOSS)/SURPLUS BEFORE INCOME TAX	5(xxx)	(7,001,766)	7,605,960
INCOME TAX EXPENSE		-	-
(LOSS)/SURPLUS		(7,001,766)	7,605,960
TRANSFERRED TO RESERVES	21	7,001,766	(7,605,960)
		-	-

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

BALANCE SHEET



RACING NSW ABN 86 281 604 417
AS AT 30 June, 2008

	Note	2008 \$	2007 \$
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	7	24,326,413	18,285,712
Trade and Other Receivables	8	14,898,657	12,815,154
Other Current Assets	9	81,177	54,276
TOTAL CURRENT ASSETS		39,306,247	31,155,142
NON-CURRENT ASSETS			
Investment accounted for using the equity method	10	2,880,957	3,347,087
Financial Assets	11	16,519,203	18,682,045
Property, Plant and Equipment - Buildings	12	4,612,044	4,779,320
Property, Plant and Equipment - Other	13	2,583,076	2,201,799
TOTAL NON-CURRENT ASSETS		26,595,280	29,010,251
TOTAL ASSETS		65,901,527	60,165,393
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	14	13,136,863	9,759,201
Breeders and Owners Bonus Scheme	15	10,316,277	6,932,122
Provisions	16	567,993	535,531
Workers Compensation Provisions	17	6,920,973	6,530,708
Other Current Liabilities	18	1,163,815	961,663
TOTAL CURRENT LIABILITIES		32,105,921	24,719,225
NON-CURRENT LIABILITIES			
Breeders and Owners Bonus Scheme	15	4,884,984	5,298,740
Provisions	16	361,882	317,615
Workers Compensation Provisions	17	25,316,027	19,046,542
Borrowings	19	991,009	1,539,801
TOTAL NON-CURRENT LIABILITIES		31,553,902	26,202,698
TOTAL LIABILITIES		63,659,823	50,921,923
NET ASSETS		2,241,704	9,243,470
EQUITY			
Reserves	20	2,241,704	9,243,470
Accumulated Surplus	21	-	-
TOTAL EQUITY		2,241,704	9,243,470

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

STATEMENT OF CHANGES IN EQUITY

RACING NSW ABN 86 281 604 417
FOR THE YEAR ENDED 30 June, 2008

	Reserves \$	Accumulated Surplus \$	Total \$
Balance at 1 July 2006	1,560,446	77,064	1,637,510
Surplus for the Year	-	7,605,960	7,605,960
Total Recognised Income and Expense for the Year	-	7,605,960	7,605,960
Transfer to Reserves	7,683,024	(7,683,024)	-
Balance at 1 July 2007	9,243,470	-	9,243,470
Loss for the Year	-	(7,001,766)	(7,001,766)
Total Recognised Income and Expense for the Year	-	(7,001,766)	(7,001,766)
Transfer to Reserves	(7,001,766)	7,001,766	-
Balance at 30 June 2008	2,241,704	-	2,241,704

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

CASH FLOW STATEMENT

RACING NSW ABN 86 281 604 417
FOR THE YEAR ENDED 30 June, 2008

	Note	2008 \$	2007 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		28,320,024	31,707,815
Payments to suppliers and employees		(23,096,730)	(27,634,113)
Interest received		1,964,834	1,265,904
Finance costs		(131,948)	(183,365)
NET CASH PROVIDED BY OPERATING ACTIVITIES	6(b)	7,056,180	5,156,241
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(1,264,028)	(6,284,826)
Proceeds from sale of interest in associated entity (RISA)		548,792	681,200
Proceeds from sale of plant and equipment		152,468	4,178,532
Loans from related parties		96,081	2,146,942
NET CASH USED IN INVESTING ACTIVITIES		(466,687)	721,848
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of loan to RISA		(548,792)	(681,200)
NET CASH USED IN FINANCING ACTIVITIES		(548,792)	(681,200)
NET INCREASE IN CASH		6,040,701	5,196,889
Cash at beginning of the year		18,285,712	13,088,823
CASH AT THE END OF THE YEAR	6(a)	24,326,413	18,285,712

The above cash flow statement should be read in conjunction with the accompanying notes

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers Racing NSW. Racing NSW was established by the Thoroughbred Racing Act, 1996 of the NSW State Parliament.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take account of the changing values of money, or except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The financial report was authorised for issue in accordance with a resolution of the directors. The financial report is presented in Australian dollars.

(b) Statement of Compliance

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

Material account policies adopted in the preparation of this financial report are presented below. The accounting policies adopted are consistent with those of the previous financial year except as follows:

AASB7 Financial Instruments: Disclosure and Measurement

The principal effect of this change is as follows:

This standard requires the disclosures that enable users of the financial statements to evaluate the significance of Racing NSW's financial instruments and the extent of risk arising from those financial instruments. The new disclosures are included throughout the financial report. Comparative information has been revised where appropriate.

(c) Property, Plant and Equipment

Each class of Property, Plant and Equipment is carried at cost less, where applicable, any accumulated depreciation and impairment.

Plant and equipment

At each reporting date, the directors review a number of factors affecting plant and equipment, including their carrying values, to determine which of these assets, grouped into cash-generating units, may be impaired. If impairment indicators exist, the recoverable amount of the assets, being the higher of the assets, "fair value less costs to sell" and "value in use", are compared to the carrying values. Any excess of the assets' carrying value over their recoverable amount is expensed in the income statement as an impairment expense.

As the future economic benefits of Racing NSW's assets are not primarily dependent on their ability to generate net cash inflows, and if deprived of the asset, Racing NSW will replace the asset's remaining future economic benefits, "Value in use" is determined as the depreciated replacement cost of the asset, rather than by using discounted future cash flows.

Depreciation

The depreciable amount of all fixed assets is calculated on a straight line basis over their estimated useful lives to Racing NSW commencing from the time the asset is held ready for use. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater

than its estimated recoverable amount. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement.

	Depreciation Rate
Plant and Equipment	5-40%
Land and Buildings	2.00%

Leases

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

(d) Financial Assets

Classification

Racing NSW classifies its financial assets in the following categories: financial assets designated at fair value through the Income Statement and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial Assets designated at Fair Value through the Income Statement Cash on Deposit and the ANZ Wholesale Investment Trust are financial assets designated at fair value through the income statement. These financial assets support the Workers Compensation provision. In line with AASB1023 'General Insurance Contracts', fair valuing these assets through the income statement eliminates recognition inconsistencies that would arise if the assets were classified as available for sale or measured at amortised cost.

(ii) Loans and Receivables: Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. Loans and receivables are included in Trade and Other Receivables (Note 8) in the Balance Sheet.

Recognition and Derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which Racing NSW commits to purchase or sell the asset. Financial Assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through the income statement. Financial assets carried at fair value through the income statement are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Racing NSW has transferred substantially all the risks and rewards of ownership.

Subsequent Measurement

Loans and receivables are carried at amortised cost using the effective interest method. Financial assets designated at fair value through the income statement are subsequently carried at fair value. Gains or losses arising from changes in

the fair value of the 'financial assets designated at fair value through the income statement' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets designated at fair value through the income statement is recognised in the income statement as part of revenue from continuing operations when Racing NSW's right to receive payments is established. Details of how the fair value of financial instruments is determined is disclosed in Note 29.

Impairment

Racing NSW assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(e) Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. All trade receivables, with the exception of those relating to BOBS, are due for settlement no more than 30 days from the date of recognition. BOBS receivables are able to be deferred for 12 months.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that Racing NSW will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(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 transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date. The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in the income statement as they arise.

(h) Employee Benefits

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 income statement in respect of superannuation represents the contributions made by Racing NSW to the superannuation fund, adjusted by the movement in the liability.

(i) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and bank overdrafts.

(j) Revenue

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

(k) Trade, Stakes Payments and Other Creditors

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

(l) Breeders and Owners Bonus Scheme

Racing NSW administers the Breeders and Owners Bonus Scheme ("BOBS"). BOBS is an incentive scheme designed to develop the NSW racing and breeding industry. Stallions standing in 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 a First Charge from the TAB distributions.

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) Finance Costs

Finance costs are expensed when incurred.

(n) Workers Compensation Insurance

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

inherent uncertainty in the central estimate. The expected future payments include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and costs, including claims handling costs, which the insurer expects to incur in settling these incurred claims. The outstanding claims liability is discounted for the time value of money using risk-free discount rates that are based on current observable, objective rates that relate to the nature, structure and term of the future obligations.

(o) Goods and Services Tax (GST)

Revenues and expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In 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 balance sheet are shown inclusive of GST. Cash flows are presented in the Cash Flow Statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating Cash Flows.

(p) Comparative Figures

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

(q) 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 2008, Racing NSW has a net asset surplus of \$2,241,704 (2007: \$9,243,470). The Members 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).

(r) Critical Accounting Estimates and Judgements

No critical accounting estimates and judgements have been required to be made in the preparation of the financial report other than in estimation of insurance liabilities (Refer Note 30).

(s) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. Racing NSW's assessment of the impact of these new standards and interpretations is set out below for those standards that may affect Racing NSW in future periods.

AASB 101 Amendment - Presentation of Financial Statements (Revised September 2007)

This standard is applicable to annual reporting periods commencing on or after 1 January 2009. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, there will be various changes to the manner in which financial statements are presented and various changes to the names of individual financial statements.

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, Lease's 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: EVENTS AFTER 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 5: INCOME STATEMENT

- (i) Sale of Goods - Publications represents income derived from the sale of advertising space in the NSW Racing magazine as well as subscriptions to NSW Racing Magazine by industry participants and customers.
- (ii) Sale of Services represents income derived from the sale of services to the racing industry - including stewards, handicapping, laboratory, veterinary, race results, syndicates and stakes payments.
- (iii) Workers Compensation Fund Premiums and Revenues represents premiums, charges and other revenues of the Racing NSW Workers Compensation Fund other than those disclosed elsewhere in the Income Statement.
- (iv) First Charge represents a charge to the industry based on the budgeted expenditure for the year.
- (v) Appearance Fee Receipts represents a charge to the industry based on expected starters, to fund a \$200 per starter payment to the owners of all horses not receiving prizemoney.
- (vi) Gain/(Loss) on Disposal of Assets represents net amounts received on sale or trade in of assets, less the carrying value of these assets.
- (vii) Interest represents investment earnings and interest income, excluding movements in the value of managed funds and property.

	2008 \$	2007 \$
Interest from Cash at Bank	1,306,864	749,776
Interest from Cash on Deposit	666,757	516,128
	1,973,621	1,265,904

- (viii) Analytical includes staff, software and office costs associated with providing specialised analytical information.
- (ix) Finance includes staff, software and office costs associated with providing finance and accounting support.
- (x) Administration/Executive represent the administrative costs of Racing NSW including executive, property, human resources, appeals, consultants as well as support to the Provincial Association and Racing NSW Country.
- (xi) Legal represents the cost of managing legal matters and litigation, including staff costs and external representation.
- (xii) Licensing expenditure represents staff and office costs associated with the derivation of this income stream.
- (xiii) Race Results expenditure represents staff, consultants and office costs associated with the deriving of income for the provision of race result information.
- (xiv) Publications expenditure includes staff and office costs as well as all production, distribution and selling costs.
- (xv) Laboratory expenditure includes staffing, depreciation of capital expenditure, consumables and occupancy costs.
- (xvi) Handicapping expenditure includes staff and office costs.

NOTES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2008

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

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

(xix) Syndicates expenditure includes staffing and office costs.

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

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

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

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

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

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

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

(xxvii) 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, the Fund was managed by QBE Insurance. Effective from 1 July 2006 the fund has been managed in-house by Racing NSW.

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

(xxix) Equine Influenza Costs include all direct external expenditure related to Equine Influenza excluding RNSW Internal staff costs net of any recoveries from state or federal agencies.

(xxx) (Loss)/Surplus before Income Tax

The (loss)/surplus from ordinary activities has been determined after :

	Note	2008 \$	2007 \$
Finance Costs			
Bank Charges		60,212	87,041
Bank Guarantee		71,736	96,324
Total Finance Costs		131,948	183,365
Depreciation and impairment expense of non-current assets			
- Land and Building Depreciation Expense		167,276	-
- Plant and Equipment Depreciation Expense		743,195	824,684
Total Depreciation and Impairment Expense		910,471	824,684
Bad and Doubtful Debts			
- Trade Debtors		(75,357)	32,528
Total Bad and Doubtful Debts		(75,357)	32,528
Racing NSW has included in its trade debtor's amounts owed by race clubs for amounts billed for public liability claims made but not covered by insurance due to the collapse of the then underwriter HIH Insurance. Racing NSW has chosen to provide for the loss of these amounts where there is a strong possibility, subject to further advice, that the settlements will become a liability of its Workers Compensation Fund.			
Rental Expense on Operating Lease		59,586	139,227
Total Gain/(Loss) on disposal of non-current assets:			
- Property, Plant and Equipment		12,911	(10,336)
Total Gain/(Loss) on disposal of non-current assets		12,911	(10,336)
Remuneration of Auditor			
- audit services		81,278	86,037
- non-audit services		-	-
Total Remuneration of Auditor		81,278	86,037
Employee Benefits Expense		7,085,277	6,622,225
Defined Contribution Superannuation Expense		650,951	487,927
Defined Benefit Superannuation Expense		108,319	112,755
Individually Significant Items:			
Increase/(decrease) in Provision relating to Insurance Claims Liability as recommended by the Actuary (Refer Note 17)		6,659,750	(2,322,750)

	2008 \$	2007 \$
NOTE 6: CASH FLOW INFORMATION		
a) Reconciliation of Cash		
Cash and Cash Equivalents	24,326,413	18,285,712
Cash	24,326,413	18,285,712

As at 30 June 2008, Racing NSW has credit facilities in place with a limit of \$100,000 (2007: \$100,000) with an amount of \$100,000 (2007: \$100,000) undrawn at the balance date. The limits of these credit facilities are subject to periodic review.

b) Reconciliation of Cash Flow from Operating Activities		
(Loss)/Surplus	(7,001,766)	7,605,960
(Gain)/Loss on Sale of Assets	(12,911)	10,336
(Decrease) in Leave Provisions	76,729	(35,406)
Depreciation and Impairment Expense	910,471	824,684
Share of net (profit) in associate net of distributions received (RISA)	(82,662)	(517,062)
Unrealised Loss/(Surplus) on investment	2,162,842	(2,439,520)
	(3,947,297)	5,448,992
(Increase)/decrease in Trade Debtors	(1,260,125)	374,355
(Increase) in Prepayments	(26,901)	(16,538)
(Increase) in Stakes Payment Debtors	(843,002)	(1,205,205)
(Increase) in Other Debtors	(19,117)	(285,726)
Increase in Trade Creditors and BOBS Creditors	3,842,574	1,710,011
Increase in Stakes Payment Creditors	1,952,747	1,058,278
Increase in Sundry Creditors and Accruals	697,551	394,824
Increase/(decrease) in Insurance Claims Provision	6,659,750	(2,322,750)
	11,003,477	(292,751)
Cash Flows from operating activities	7,056,180	5,156,241

NOTE 7: CASH AND CASH EQUIVALENTS

Cash at Bank	13,999,823	8,626,143
Cash on Deposit	10,326,590	9,659,569
Total Cash	24,326,413	18,285,712

The Cash at Bank bears floating interest rates between 3.00% and 7.00% (2007: 5.75% and 6.15%). Cash on deposit bears interest rates between 7.12% and 7.32% (2007: 6.19%). The deposits at call are pledged as security for the ANZ Bank Guarantee to Workcover (Note 17).

NOTE 8: TRADE AND OTHER RECEIVABLES

Trade Debtors	2,987,979	1,833,365
Provision for Doubtful Debts	(107,915)	(213,426)
Sundry Debtors	1,324,534	1,308,388
Amounts receivable from associated entities:		
- Racing NSW Country Limited	3,510,212	3,977,762
- Australian Racing Board Limited	579,908	151,098
Stakes Payment Debtors	6,538,190	5,695,188
Bank Guarantee	65,749	62,779
Total Receivables	14,898,657	12,815,154

NOTE 9: OTHER CURRENT ASSETS

Prepayments	81,177	54,276
	81,177	54,276

NOTES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2008

NOTE 10: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interest in Associated Entity

Name of Entity	Principal Activity	Country of Incorporation	Balance Date	2008	2007
Racing Information Services Australia Pty Ltd (RISA)					
	Maximising benefits of racing information	Australia	30/06/2008		
Ownership Interest				35.0%	42.7%
Voting Power				35.0%	42.7%
				2008	2007
				\$	\$

Movements in carrying amounts

At beginning of financial year	3,347,087	3,511,225
Dilution of Shareholding	(548,792)	-
Distribution from RISA	-	(681,200)
Share of operating profit after income tax	82,662	517,062
At end of financial year	2,880,957	3,347,087

Total Investments Accounted for using Equity Method

2,880,957	3,347,087
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Summarised financial information of RISA as at balance date

Racing NSW's share of the results of RISA and its aggregated assets and liabilities are as follows:

Assets	4,891,915	5,275,248
Liabilities	1,171,507	1,054,446
Equity	3,720,408	4,220,802
Revenues	1,738,905	1,935,650
Profit	82,662	517,062

Share of RISA's commitments

Capital commitments	-	-
Lease commitments	-	-

Contingent liabilities of RISA

Share incurred jointly with other investors	-	11,780
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Further information on the RISA investment can be found in Note 31

NOTE 11: FINANCIAL ASSETS

ANZ Wholesale Investment Trust	16,519,203	18,682,045
	16,519,203	18,682,045

The ANZ Wholesale Investment Trust is an asset of the Workers Compensation Fund. (Refer Note 30) This investment is mortgaged to the ANZ Bank and acts as security for the ANZ Bank Guarantee to Workcover (Note 17).

NOTE 12: PROPERTY, PLANT AND EQUIPMENT - BUILDINGS

Land and Buildings - at cost	4,779,320	4,779,320
Less accumulated depreciation	167,276	-
Total Land and Buildings	4,612,044	4,779,320

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

	2008 \$	2007 \$
NOTE 13: PROPERTY, PLANT AND EQUIPMENT - OTHER		
Plant and Equipment - at cost	7,139,070	6,227,760
Less accumulated depreciation	4,555,994	4,025,961
Total Plant and Equipment	2,583,076	2,201,799
Movement in Carrying Amounts		
Balance at Beginning of Year	2,201,799	1,609,845
Additions	1,264,028	1,505,506
Disposals	(139,557)	(88,868)
Depreciation Expense	(743,194)	(824,684)
Carrying Amount at the end of the year	2,583,076	2,201,799
Plant and equipment above is comprised of the following categories.		
Laboratory Equipment - at cost	2,781,736	2,230,607
Less accumulated depreciation	2,104,819	1,840,993
Total Laboratory Equipment	676,917	389,614
Movement in Carrying Amounts		
Balance at Beginning of Year	389,614	681,554
Additions	551,130	56,208
Depreciation Expense	(263,827)	(348,148)
Carrying Amount at the end of the year	676,917	389,614
Building Fit-out, Furniture and Fittings - at cost	947,255	966,826
Less accumulated depreciation	151,355	72,823
Total Building Fit-out, Furniture and Fittings	795,900	894,003
Movement in Carrying Amounts		
Balance at Beginning of Year	894,003	21,749
Additions	2,177	945,077
Depreciation Expense	(100,280)	(72,823)
Carrying Amount at the end of the year	795,900	894,003
Office and Other Equipment - at cost	2,409,966	2,249,663
Less accumulated depreciation	2,064,885	1,860,626
Total Office and Other Equipment	345,081	389,037
Movement in Carrying Amounts		
Balance at Beginning of Year	389,037	344,543
Additions	160,304	290,222
Depreciation Expense	(204,260)	(245,728)
Carrying Amount at the end of the year	345,081	389,037
Motor Vehicles - at cost	1,000,110	802,412
Less accumulated depreciation	234,933	273,268
Total Motor Vehicles	765,177	529,144
Movement in Carrying Amounts		
Balance at Beginning of Year	529,144	561,998
Additions	550,417	213,998
Disposals	(139,557)	(88,867)
Depreciation Expense	(174,827)	(157,985)
Carrying Amount at the end of the year	765,177	529,144

NOTES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2008

	2008 \$	2007 \$
NOTE 14: TRADE AND OTHER PAYABLES		
Trade Creditors	1,400,271	528,096
Other Creditors and Accruals	2,189,711	1,569,911
Employee Leave	690,235	812,127
Amounts payable to associated entities:		
- Racingcorp Pty Limited	179,956	122,615
Stakes Payment Creditors	8,257,985	6,305,238
Benevolent Fund	418,705	421,214
Total Creditors and Accruals	13,136,863	9,759,201

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

NOTE 15: BREEDERS AND OWNERS BONUS SCHEME

Current

Breeders and Owners Bonus Scheme	10,316,277	6,932,122
Total Current	10,316,277	6,932,122

Non-Current

Breeders and Owners Bonus Scheme	4,884,984	5,298,740
Total Non-Current	4,884,984	5,298,740
	15,201,261	12,230,862

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

NOTE 16: PROVISIONS

Current

Employee Benefits	567,993	535,531
Total Current	567,993	535,531

Non-Current

Employee Benefits	361,882	317,615
Total Non-Current	361,882	317,615

Total Provisions for Employee Benefits

929,875	853,146
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Superannuation Fund

A number of employees of Racing NSW are entitled to benefits on retirement, disability or death from the Racing NSW Superannuation Plan. The fund provides target lump sum benefits based on years of service and final average salary.

Present value of employees accrued benefits	2,581,973	2,476,561
Net market value of assets held by the fund to meet future benefit payments	2,469,512	2,272,566
Adjustment for known shortfall	-	(150,505)
Excess of the present value of employees accrued benefits over assets held to meet future benefit payments	112,461	53,490

NOTE 17: WORKERS COMPENSATION PROVISION

Current

Provision for Insurance Outstanding Claims	6,920,973	6,530,708
Total Current	6,920,973	6,530,708

Non-Current

Provision for Insurance Outstanding Claims	25,316,027	19,046,542
Total Non-Current	25,316,027	19,046,542

Total Provisions for Workers Compensation

32,237,000	25,577,250
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NOTE 17: WORKERS COMPENSATION PROVISION (CONT.)

	2008 \$	2007 \$
Workers Compensation Provisions		
Opening Balance of Workers Compensation Provisions	25,577,250	27,900,000
Movement in Workers Compensation Provisions	6,659,750	(2,322,750)
Closing Balance of Workers Compensation Provisions	32,237,000	25,577,250

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 30 June 2008. The ANZ Bank have issued guarantees amounting to \$26,901,000 as at 30 June 2008 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% (2007: 25%) in respect of the net central estimate of liabilities relating to the specialised insurer's license and a prudential margin of 50% (2007: 50%) in respect of the net central estimate of liabilities relating to the self insurer's license. Racing NSW is currently in the process of increasing the ANZ Bank Guarantee to \$31,000,000 as a requirement of NSW Workcover guidelines.

Based on information available in the prior year, the actuarial valuation of the net central estimate of liabilities was \$20,440,000 which, after application of the prudential margin, resulted in a reduction of the Workers Compensation Provision of \$2,322,750 in the 2007 financial year. Given claims experience during the 2008 financial year and other information available as at 30 June 2008, that reduction was reversed in the 2008 financial year and additional provisions taken so that the net central estimate of liabilities as at 30 June 2008 was \$25,772,000. The aggregate change in the actuary's assessment of the net central estimate of liabilities together with the prudential margins resulted in an increase in the Workers Compensation Provision of \$6,659,750 in the 2008 financial year. The net change in the Workers Compensation Provision over the two financial years is \$4,337,000 (i.e. an average of \$2,168,500 per financial year).

The directors have determined that these prudential risk margins are appropriate to increase the likelihood that the provision will be adequate to meet the cost of claims. Due to the small amount of claim data and the difficulties in determining a mathematical distribution appropriate to Racing NSW, the probability of adequacy corresponding to the margin cannot be reliably estimated.

The movement in Workers Compensation Provision is recognised as either income or an expense of the period.

NOTE 18: OTHER CURRENT LIABILITIES

Deferred Income	1,163,815	961,663
	1,163,815	961,663

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 Racing NSW magazine.

NOTE 19: BORROWINGS

Non - Current

Loan payable to RISA	991,009	1,539,801
	991,009	1,539,801

The loan is unsecured and non-interest bearing.

NOTE 20: RESERVES

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

Reserves

General Reserve	1,505,258	1,422,596
Operating Reserve	731,975	731,975
Industry Distribution Reserve	1,753,127	1,590,095
Workers Compensation Reserve	(1,748,656)	5,498,804
Total Reserves	2,241,704	9,243,470

Movement in Reserves

General Reserve

Balance at the beginning of the year	1,422,596	828,471
Transfers from surplus	82,662	594,125
Balance reserve at the end of the year	1,505,258	1,422,596

Operating Reserve

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

NOTES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2008

NOTE 20: RESERVES (CONT.)

	2008 \$	2007 \$
Industry Distribution Reserve		
Balance at the beginning of the year	1,590,095	-
Transfers from surplus	163,032	1,590,095
Balance reserve at the end of the year	<u>1,753,127</u>	<u>1,590,095</u>
Workers Compensation Reserve		
Balance at the beginning of the year	5,498,804	-
Transfers from loss	(7,247,460)	5,498,804
Balance reserve at the end of the year	<u>(1,748,656)</u>	<u>5,498,804</u>
Total Reserves	<u>2,241,704</u>	<u>9,243,470</u>

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

NOTE 21: ACCUMULATED SURPLUS

Accumulated surplus at beginning of the financial year	-	77,064
Total Funds transferred (from)/to Reserves	(7,001,766)	7,605,960
Transfer to General Reserve	(82,662)	(594,125)
Transfer to Operating Reserve	-	-
Transfer to Industry Distribution Reserve	(163,032)	(1,590,095)
Transfer to Workers Compensation Reserve	7,247,460	(5,498,804)
Accumulated surplus at end of the financial year	-	-

NOTE 22: CAPITAL AND LEASING COMMITMENTS

Operating lease Commitments		
Non-cancellable operating lease contracted for but not capitalised in the Financial statements		
Payable not later than 1 year	14,752	14,752
Payable later than 1 year and not later than 5 years	8,675	23,427
	<u>23,427</u>	<u>38,179</u>

NOTE 23: CONTINGENT LIABILITIES

Racing NSW organises public liability insurance on behalf of all bodies, including race clubs in the NSW racing industry. The insurance is placed through arrangements with licensed insurer Employers Mutual Limited known as the Captive Fund, participated in by the racing industries of NSW, Victoria and Queensland. Under the Captive Fund, participating states may be liable for supplementary premiums of up to \$2.1 million depending on the claims performance of the Captive Fund. While it is not envisaged that the claims performance will require supplementary premium payments during the financial year ended 30 June 2008 any shortfall requiring supplementary premium payments would be shared among the participating bodies and race clubs in NSW. The Captive Fund was quarantined as of 30 June 2006.

Racing NSW is not aware of any material contingent liabilities which are required to be disclosed in these financial statements, other than the guarantees provided by the ANZ Bank in favour of Workcover Authority of NSW amounting to \$26,901,000 (2007: \$23,531,000) at balance date, against a facility of \$27,000,000 (2007: \$27,000,000). Unused facilities at balance date amount to \$99,000 (2007: \$3,469,000).

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 7,11 and 12. A registered mortgage debenture over all the assets of Racing NSW is held by the ANZ bank. The deposits at call are pledged as security for the ANZ Bank Guarantee to Workcover.

NOTE 24: KEY MANAGEMENT PERSONNEL

a) Key Management Personnel

The following persons were key management personnel of Racing NSW during the financial year:

Name	Position Held
Gary Pemberton AC	Chairman
Donald Hopkins	Deputy Chairman (retired 11 March 2008)
Philip Esplin	Board Member (Deputy Chairman from 17 June 2008)
Rob Ferguson	Board Member

NOTE 24: KEY MANAGEMENT PERSONNEL (CONT.)

Robert Lapointe	Board Member (retired 16 May 2008)
Noel Bracks	Board Member
Graeme Pash	Board Member (retired 12 March 2008)
William Picken	Board Member (commenced 13 March 2008)
Trevor Lobb	Board Member (commenced 17 May 2008)
Gordon Lindley	Board Member (commenced 12 March 2008)
Peter V'landys	Chief Executive Officer
Ray Murrhy	General Manager - Integrity
Paul Eriksson	General Manager - Finance & IT
Allen Stenhouse	Official Analyst (Laboratory) (resigned 11 July 2007)
Brian Judd	General Manager - Industry
Greg Rudolph	General Manager - Commercial
Keith Bulloch	General Manager - Regulatory
Scott Kennedy	General Manager - Analytical
Craig Suann	Senior Official Veterinarian
Nathan McLellan	Legal Counsel
Andrew Vadasz	Laboratory Director

Subsequent to the end of the year, on 2 July 2008, the Chairman retired. Pending the appointment of a new Board as provided for under the Thoroughbred Racing Act (1996), this position on the Board has not been replaced. The role of Chairman has been filled from this date by Philip Esplin.

b) Key Management Personnel Compensation

	2008 \$	2007 \$
Short Term Benefits		
Salary and Fees	2,055,961	1,818,615
Non-Cash Benefits	122,800	139,800
Post Employment Benefit		
Other	30,982	45,620
Superannuation	292,041	445,073
Total	2,501,784	2,449,108

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

NOTE 25: ENTITY 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 the Board is:
Level 7, 51 Druiitt Street, Sydney NSW 2000.

NOTE 26: SEGMENT REPORTING

	2008			2007		
	Racing NSW	Insurance	Total	Racing NSW	Insurance	Total
Primary Reporting - Business Segments						
Revenue						
External Sales	17,632,463	8,799,376	26,431,839	20,631,927	7,962,639	28,594,566
Other Revenue	1,319,775	(1,496,085)	(176,310)	739,440	2,955,649	3,695,089
Share of Profit of associated entity	82,662	-	82,662	517,062	-	517,062
Total Segment Revenue	19,034,900	7,303,291	26,338,191	21,888,429	10,918,288	32,806,717
Expenditure						
Depreciation	17,883,345	14,546,141	32,429,486	18,956,588	5,419,485	24,376,073
Share of Loss of associated entity	905,861	4,610	910,471	824,684	-	824,684
Total Segment Expenditure	18,789,206	14,550,751	33,339,957	19,781,272	5,419,485	25,200,757
Segment Result	245,694	(7,247,460)	(7,001,766)	2,107,157	5,498,803	7,605,960

NOTES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2008

NOTE 26: SEGMENT REPORTING (CONT.)

	2008			2007		
	Racing NSW	Insurance	Total	Racing NSW	Insurance	Total
Assets						
Segment Assets	36,120,404	26,900,166	63,020,570	28,425,027	28,393,279	56,818,306
Investments in Assets Accounted for using the Equity Method	2,880,957	-	2,880,957	3,347,087	-	3,347,087
Total Assets	39,001,361	26,900,166	65,901,527	31,772,114	28,393,279	60,165,393
Liabilities						
Segment Liabilities	31,217,073	32,442,750	63,659,823	25,169,491	25,752,432	50,921,923
Total Liabilities	31,217,073	32,442,750	63,659,823	25,169,491	25,752,432	50,921,923
Net Assets/(Liabilities)	7,784,288	(5,542,584)	2,241,704	6,602,623	2,640,847	9,243,470
Purchase of Non-Current Assets	1,264,028	-	1,264,028	6,278,037	-	6,278,037
Impairment Losses	-	-	-	-	-	-
Significant Non Cash Expenses other than Depreciation	-	6,659,750	6,659,750	-	-	-

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.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage.

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

NOTE 27: RELATED PARTIES

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

G.M. Pemberton AC	B. Reardon
R.M. Lapointe	P. Esplin
D.E. Hopkins	R.A Ferguson
G. Pash	N.F Bracks
W. Picken	G. Lindley
T. Lobb	P.N. V'landys

Agistment fees for research horses of \$42,764 (2007: \$30,452) were expended to Muskoka Farm. Muskoka Farm is owned by R M Lapointe, a Board member of Racing NSW. These transactions are conducted on normal commercial terms.

Mr G M Pemberton, Mr G Lindley (replacing Mr D E Hopkins), Mr N Bracks (replacing Mr D P R Esplin), Mr B Reardon, Mr P N V'landys and Mr W Picken (replacing Mr G F Pash) all board members of Racing NSW, are also directors of Racingcorp Pty Limited and each beneficially own one Class A1 share unit in Racingcorp Pty Limited.

Mr P N V'landys is also a director of Australian Racing Board Limited and Thoroughbred Trainers Service Centre Limited, Mr D E Hopkins and Mr R M Lapointe are also directors of NSW TRB Training Limited, Mr D E Hopkins and Mr G Lindley are also directors of Racing NSW Country Limited.

Racing NSW undertakes accounting support for Racing NSW Country Limited, NSW TRB Training Limited, Racingcorp Pty Limited, Australian Racing Board Limited and Thoroughbred Trainers Service Centre Limited. Refer Notes 8 and 14 for amounts due from/payable to these related entities. Amounts disclosed below detail transactions with these related entities during the year. These transactions are on normal commercial terms. These are summarised as follows:

	Expenses Paid on behalf of entity	Receipts taken on behalf of entity
- Racing NSW Country Limited	59,691,903	60,139,453
- Australian Racing Board Limited	1,324,214	895,404
- Racingcorp Pty Limited	142,906	200,247
- Thoroughbred Trainers Service Centre Ltd	81,632	21,437
- NSW TRB Training Limited	235,738	166,229

NOTE 28: FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

a) General objectives, policies and processes

Activities undertaken by Racing NSW may expose the business to a variety of financial risks: credit risk, liquidity risk, market risk and insurance risk. The Board has overall responsibility for the determination of Racing NSW's financial risk management objectives and policies. Racing NSW's financial risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of Racing NSW where such impacts may be material.

Racing NSW has a central treasury function which implements the financial risk management policies approved by the Board of Directors.

There have been no substantive changes to in Racing NSW's exposure to financial instrumentent risk , its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated.

b) Credit risk

Credit risk is that the other party to the financial instrument will fail to discharge their obligations resulting in Racing NSW's incurring a financial loss.

Racing NSW trades only with recognised, credit worthy third parties. Receivable balances are monitored on an ongoing basis with the result that Racing NSW's exposure to bad debts is not significant.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the balance sheet and notes to the financial statements.

	2008 \$	2007 \$
Trade Debtors	2,880,064	1,619,939
Other Receivables	5,480,403	5,500,027
Stakes Payment Debtors	6,538,190	5,695,188
Cash at Bank	13,999,823	8,626,143
Cash on Deposit	10,326,590	9,659,569
Investments	16,519,203	18,682,045
	55,744,273	49,782,911

Objectives and Policies	Process for Managing the Risk	Methods used to Measure the Risk
Policies require that Cash at Bank and Cash on Deposit be placed with major banks approved by the Board.	No changes to investments are made without Board approval.	The holdings and performance of Cash at Bank and Cash on Deposit are reported to the Board on a monthly basis.
Debtors are assessed as to likely recovery prior to advancing credit. Stakes Payment Debtors and Trade Debtors are reviewed and treated separately.	Debtors are reviewed on an ongoing basis depending on type of debt. Collectability is assessed on a regular basis.	Aged Debtors Balances are reviewed on a regular basis.
Policies require that all Investments be placed with major institutions approved by the Board.	No changes to investments are made without Board approval.	The holdings and performance of Investments are reported to the Board on a monthly basis.

Concentration of Debtors

Racing NSW determines the credit risk from the type of debtor and type of debt. Stakes Payment debtors are recoverable as Racing NSW has significant control over industry funding and acts as the facilitator between industry participants for the distribution of these funds.

A significant proportion of Trade Debtors relates to BOBS. BOBS trade debtors as at 30 June 2008 were \$2,479,583 (2007: \$1,338,925). The Board believes the credit risk is negligible due to control over future winnings attributes to these debtors.

A significant proportion of Other Receivables comprises amounts receivable from the associated entities Racing NSW Country Limited, and the Australian Racing Board Limited. The receivables as at 30 June 2008 were \$3,510,212 (2007: \$3,997,762), and \$579,908 (2007: \$151,098) respectively.

The Board believes the credit risk is negligible due to control over the funding through the Racing Distribution Agreement, Inter-Code Agreement and the Intra-Code Agreement.

NOTES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2008

NOTE 28: FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONT.)

Impairment

Impairment is determined based on the type of debtor and the type of debt. Normal trading terms are 30 days from date of invoice, however in respect of Stakes Payment debtors this may vary depending on the debtor type. In general the major Stakes Payment debtors have 30 working days following the fortnightly prizemoney pay run to clear their accounts. This is generally automatic as Racing NSW facilitates distribution of the TAB Product Fees to Stakes Payment debtors.

Unpaid Trade debtor's accounts over 90 days are reviewed for impairment. Outstanding Other Receivables are reviewed for impairment on an individual basis. The provision for impairment is based on the likelihood of recovery after contact with the debtor and assessment of recourse action available.

	Total \$	Current \$	30 Days \$	60 Days \$	90 Days \$
2008 Trade and Other Receivables ageing are as follows:					
Maximum Exposure - Trade Debtors	2,987,978	2,529,522	68,872	6,320	383,264
Maximum Exposure - Stakes Payment Debtors	6,538,190	6,538,190	-	-	-
Maximum Exposure - Other Receivables	5,480,403	5,480,403	-	-	-
	15,006,571	14,548,115	68,872	6,320	383,264
Amount past due but not considered Impaired	350,541	-	68,872	6,320	275,349
Amount past due considered Impaired	107,915	-	-	-	107,915
	458,456	-	68,872	6,320	383,264
Impairment provision	(107,915)	-	-	-	(107,915)

2007 Trade and Other Receivables ageing are as follows:

Maximum Exposure - Trade Debtors	1,833,365	824,232	698,835	11,244	299,054
Maximum Exposure - Stakes Payment Debtors	5,695,188	5,695,188	-	-	-
Maximum Exposure - Other Receivables	5,500,027	5,500,027	-	-	-
	13,028,580	12,019,447	698,835	11,244	299,054
Amount past due but not considered Impaired	795,707	-	698,093	11,244	86,370
Amount past due considered Impaired	213,426	-	742	-	212,684
	1,009,133	-	698,835	11,244	299,054
Impairment provision	(213,426)	-	(742)	-	(212,684)

Trade debtor amounts are unsecured. Stakes Payment debtor and Other Receivable amounts are primarily Racing Clubs and are indirectly secured through industry agreements.

Trade debtors are primarily BOBS and are indirectly secured through the BOBS funding agreement. The Board does not believe there is any material credit risk on the debtor balances that are past due but not considered impaired due to the agreements in place.

Allowance for Impairment Loss

Trade Receivables are non-interest bearing and generally required to be settled with 30 days. BOBS receivables may be deferred for 12 months. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. Movements in the provision for impairment loss were as follows.

	2008 \$	2007 \$
Opening Balance	213,426	183,651
Provision for Doubtful Receivables	-	32,528
Receivables written off during the year	(30,142)	(2,753)
Reversal of amount provided	(75,369)	-
Closing Balance	107,915	213,426

NOTE 28: FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONT.)

	2008 \$	2007 \$
Concentration of Investments		
Racing NSW determines the credit risk from the bank or institution that retains funds of the business. There is a concentration of credit risk with respect to current bank deposits and investments in the following institutions.		
Institution		
ANZ Bank	24,326,413	18,285,712
ANZ Wholesale Investment Trust	16,519,203	18,682,045
Total	40,845,616	36,967,757

c) Liquidity Risk

Liquidity risk is the risk that Racing NSW may encounter difficulties raising funds to meet commitments associated with financial instruments.

The only borrowings for Racing NSW are those related to the RISA investment. These borrowings are supported by the RISA investment and no interest is payable on the loan. The loan is repaid through annual distributions from RISA.

Objectives and Policies	Process for Managing the Risk	Methods used to Measure the Risk
Board policies require that Racing NSW maintain adequate cash reserves to meet the liquidity demands when due and payable.	Racing NSW monitors liquidity risk by daily monitoring of the cash position and regular review of the annual cash flow.	Racing NSW manages purchases and staff remuneration within an expenditure budget.
Borrowings are not generally undertaken by the Board. Any borrowing must be approved by the Board.	Borrowings must be 100% supported by the investment.	
Trade creditors are assessed as to quality of service provided and paid within due date following General Manager Authorisation.	Trade creditors are paid weekly based on due date and managerial authorisation.	Trade creditors' ledger is reviewed on a monthly basis.
Stakes Payment creditors are paid on a fortnightly basis.	Stakes Payment Creditors are paid fortnightly in arrears following authorisation by the Chief Executive.	Industry Creditors are reviewed every fortnight when they are paid.

Concentration of Creditors

Racing NSW determines the credit risk from the type of creditor and type of payable. Stakes Payment creditors are generally offset by Stakes Payment debtors. Racing NSW acts as the facilitator between industry participants for the distribution of these funds.

There is no concentration of credit risk with respect to current payables.

Maturity Analysis for Financial Liabilities - 2008

	Carrying Amount \$	Contractual Cash Flows \$	< 6 Months \$	6 - 12 Months \$	1 - 4 years \$
Trade and Other Payables	4,188,643	4,188,643	4,188,643	-	-
Stakes Payment Creditors	8,257,985	8,257,985	8,257,985	-	-
Breeders and Ownes Bonus Schemes	15,201,261	15,201,261	5,158,138	5,158,139	4,884,984
Borrowings	991,009	991,009	-	-	991,009
Total	28,638,898	28,638,898	17,604,766	5,158,139	5,875,993

NOTES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2008

NOTE 28: FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONT.)

Concentration of Creditors (Cont.)

Maturity Analysis for Financial Liabilities - 2007

	Carrying Amount \$	Contractual Cash Flows \$	< 6 Months \$	6 - 12 Months \$	1 - 4 years \$
Trade and Other Payables	2,641,836	2,641,836	2,641,836	-	-
Stakes Payment Creditors	6,305,238	6,305,238	6,305,238	-	-
Breeders and Owners Bonus Schemes	12,230,862	12,230,862	3,466,061	3,466,061	5,298,740
Borrowings	1,539,801	1,539,801	-	-	1,539,801
Total	22,717,737	22,717,737	12,413,135	3,466,061	6,838,541

Economic Dependency

Racing NSW received 29.29% (2007: 25.13%) of its income via a First Charge on the TAB distributions to the Thoroughbred Racing Industry. This distribution is governed by the NSW Racing Distribution Agreement as entered into by Racingcorp Pty Limited and TAB Limited. Consequently, Racing NSW is economically dependent on TAB Limited.

d) Market Risk

Market Risk arises from the use of interest bearing financial instruments. Racing NSW is exposed to fluctuations in interest rates on its cash holdings and cash deposits. Racing NSW is exposed to price risk on its investments.

Interest Rate Risk

Racing NSW is exposed to fluctuations in interest rates on its cash at bank balances. Cash on Deposit have short term fixed interest rates. There are no interest bearing financial liabilities. The effective weighted average interest rate on financial assets is shown below.

Objectives and Policies	Process for Managing the Risk	Methods used to Measure the Risk
Board policies require that Racing NSW review and negotiate interest rates on Cash at Bank on a regular basis in order to maximise their return.	Racing NSW negotiates a Current Cash Rate less a tiered discount rate for all Cash at Bank.	Racing NSW checks interest rate applied by recalculating interest on an average balance for the month and comparing to actual rates less tiered discounts.
Board policies require that Racing NSW review and negotiate interest rates on Cash on Deposit on roll-over of the deposit.	Racing NSW negotiates a interest rate in line with market rates at the time of roll-over.	Racing NSW checks interest rate applied to Cash on Deposit by recalculation of interest revenue received.

2008

	Effective Weighted Average Interest Rates	Floating Interest Rate \$	Fixed Interest Maturing < 1 year \$	Non Interest Bearing \$	Total \$
Financial Assests:					
Loans and Receivables					
Cash at Bank	6.997%	13,999,823	-	-	13,999,823
Receivables	-	-	-	14,898,657	14,898,657
Total Loans and Receivables		13,999,823	-	14,898,657	28,898,480
Financial Assets designated at Fair Value through the Income Statement					
Cash on Deposit	7.203%	-	10,326,590	-	10,326,590
Investments	-	-	-	16,519,203	16,519,203
Total Financial Assets designated at Fair Value through the Income Statement		-	10,326,590	16,519,203	26,845,793
Total Financial Assets		13,999,823	10,326,590	31,417,860	55,744,273
Financial Liabilities:					
Borrowings	-	-	-	991,009	991,009
Breeders and Owners Bonus Scheme	-	-	-	15,201,261	15,201,261
Trade and Other Payables	-	-	-	12,446,628	12,446,628
Total Financial Liabilities measured at amortised cost		-	-	28,638,898	28,638,898

NOTE 28: FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONT.)

d) Market Risk (Cont.)

2007

	Effective Weighted Average Interest Rates	Floating Interest Rate \$	Fixed Interest Maturing < 1 year \$	Non Interest Bearing \$	Total \$
Financial Assets:					
Loans and Receivables					
Cash at Bank	5.926%	8,626,143	-	-	8,626,143
Receivables	-	-	-	12,815,154	12,815,154
Total Loans and Receivables		8,626,143	-	12,815,154	21,441,297
Financial Assets designated at Fair Value through the Income Statement					
Cash on Deposit	6.168%	-	9,659,569	-	9,659,569
Investments	-	-	-	18,682,045	18,682,045
Total Financial Assets designated at Fair Value through the Income Statement		-	9,659,569	18,682,045	28,341,614
Total Financial Assets		8,626,143	9,659,569	31,497,199	49,782,911
Financial Liabilities:					
Borrowings	-	-	-	1,539,801	1,539,801
Breeders and Owners Bonus Scheme	-	-	-	12,230,862	12,230,862
Trade and Other Payables	-	-	-	8,947,074	8,947,074
Total Financial Liabilities measured at amortised cost		-	-	22,717,737	22,717,737

Interest Rate Sensitivity

Racing NSW performs a sensitivity analysis to measure market risk exposures at the time of each maturity of the investment so as to assess the reinvestment opportunities. There is no interest rate sensitivity for trade receivables or payables. Interest rate sensitivity only applies to Racing NSW Cash at Bank and Cash on Deposit.

Based on the calculations as at 30th June 2008 (30th June 2007), the net profit impact for a 1% (2007: 1%) movement in interest rates would be \$243,264 (2007: \$182,857)

2008

	Current Weighted Average Rate \$	Amount \$	1% Increase in Interest Rate \$	1% Decrease in Interest Rate \$
Cash at Bank	6.997%	13,999,823	139,998	(139,998)
Cash on Deposit	7.203%	10,326,590	103,266	(103,266)
Total		24,326,413	243,264	(243,264)

2007

	Current Weighted Average Rate \$	Amount \$	1% Increase in Interest Rate \$	1% Decrease in Interest Rate \$
Cash at Bank	5.926%	8,626,143	86,261	(86,261)
Cash on Deposit	6.168%	9,659,569	96,596	(96,596)
Total		18,285,712	182,857	(182,857)

The method used in determining the sensitivity was to evaluate the interest revenue based on the timing of the interest repricing on the deposits for the next 12 months. The following assumptions were applied:

- the rate at the beginning of the 12 month period would apply for the whole period.
- the cash on deposit would all reprice to the new interest rate at the same time.
- the base rate is the weighted average across the cash on deposit.

NOTE 28: FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONT.)

Interest Risk (Cont.)

Price Risk

Racing NSW holds significant investments in the ANZ Wholesale Investment Trust through ownership of units in the trust. The trust has a diverse range of investments in both cash, term deposits, property and equity. Racing NSW performs a sensitivity analysis to measure market risk exposures on an annual basis to assess the reinvestment opportunities.

Objectives and Policies	Process for Managing the Risk	Methods used to Measure the Risk
Board policies require that Racing NSW review the unit price and unit holdings of the trust on an annual basis, in order to maximise their returns.	Racing NSW monitors price sensitivity on a monthly basis and reinvests distributions by purchasing additional units with the trust fund.	ANZ reports unit price and unit holdings to Racing NSW on a monthly basis. This is reported to the Board on an annual basis.
Board policies require that Racing NSW maintain a 50:50 balance between growth assets and defensive assets for the overall investment strategy, in order to balance the risks.	Racing NSW monitors the 50:50 split on a monthly basis.	Racing NSW reports the balance between growth and defensive assets on a monthly basis to the Board.

Price Sensitivity

Based on the calculations as at 30th June 2008 (30th June 2007), the net profit impact for a 5% (2007: 5%) movement in the unit price would be \$825,960 (2007: \$934,102)

2008

	Current Units	Current Unit Price \$	Base Value \$	5% Increase in Unit Price \$	5% Decrease in Unit Price \$
ANZ Wholesale Investment Trust	17,915,346	0.92207	16,519,203	825,960	(825,960)

2007

	Current Units	Current Unit Price \$	Base Value \$	5% Increase in Unit Price \$	5% Decrease in Unit Price \$
ANZ Wholesale Investment Trust	15,173,235	1.23125	18,682,045	934,102	(934,102)

The method used to determine the sensitivity was to evaluate the investment revenue based on the unit price and unit holdings for the next 12 months. The assumptions applied were:

- the unit rate change at the beginning of the 12 month period would apply for the whole period.
- the number of units held does not change.
- the 5% bounds are more appropriate due to volatility and the long term nature of the investment.

There has been no change to Racing NSW's exposure to market risk or the way market risk is measured or managed in the reporting period.

Insurance Risk

Pursuant to section 13(1)(d) of the *Thoroughbred Racing Act 1996* (NSW), Racing NSW's functions include "insuring of participants in the horseracing industry". Racing NSW holds a specialised insurer's licence issued by WorkCover NSW that permits it to offer compulsory workers compensation insurance for employers and employees engaged in activities incidental to thoroughbred horse racing.

The rights and obligations of Racing NSW as a specialised insurer, are regulated by the *Workers Compensation Act 1987* (NSW) and the *Workplace Injury Management and Workers Compensation Act 1998* (NSW). These Acts define the circumstances in which an employer has a liability to an injured worker, the manner and timing of any decision by Racing NSW as to the granting of indemnity, and the quantum of benefits payable in response to a claim.

Racing NSW provides an annual actuarial report to WorkCover NSW for the period to 30 June in each financial year that covers issues such as:

- The quantum of outstanding liabilities.
- The predicted development of such liabilities, payments on new claims and other expenses during the subsequent financial year.
- The number of new claims expected and an estimate of Incurred But Not Reported (IBNR) claims for the preceding financial year.
- The amount of the bank guarantee that Racing NSW must arrange to be executed by an established financial institution in favour of WorkCover NSW to support its ability to fund the thoroughbred racing industry's accumulated and expected workers compensation liabilities. (Refer Note 17)

NOTE 28: FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONT.)

Interest Risk (Cont.)

Racing NSW is committed to managing legal, operational and financial risk in the conduct of its workers compensation activities.

Financial payments made by the fund are initially approved by the relevant claims manager. Payments are then entered by a different department and returned to the Insurance Manager for authorisation before being randomly audited and processed by the General Manager – Finance and the Chief Executive.

Established practices and procedures govern the internal management of claims, the selection and remuneration of service providers and the manner in which critical decisions are made in relation to individual claimants (such as decisions to contest liability and/or litigate appropriate cases). These practices and procedures are regularly reviewed and, in conjunction with the Occupational Health & Safety and Workers Compensation summary publicly available on Racing NSW's website, are available for review and comment by WorkCover NSW upon request.

Racing NSW's Insurance Manager is a practicing lawyer with experience and qualifications in the allied health field. This enables decisions about legislative interpretation, the conduct of litigation and the resolution of disputes to be made (or reviewed) by an appropriately qualified expert. In addition, Racing NSW uses a number of experienced external legal practitioners, including Senior Counsel and recognised firms of solicitors, as and when appropriate.

NOTE 29: FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and liability.

The information is only relevant to circumstances at balance date and will vary depending on market rates and conditions at the time. The carrying value less impairment provisions for trade receivables and payables approximates their fair values due to their short term nature. The carrying value of other short term financial assets and liabilities is assumed to approximate their fair value due to their short term nature. The fair value of financial liabilities, that are maturing in more than 12 months, for disclosure purposes, has been estimated by discounting the future contractual cash flows at the current market interest that is available to Racing NSW. Significant assumptions used in determining the cash flows are that they will be consistent with the contracted cash flows under their respective contracts. Other specific assumptions used are:

- a) the interest rate used for discounting is the published ANZ Reference Rate as at 30 June each year. 2008: 11.75% (2007: 10.10%)
- b) payments are made evenly throughout the period.
- c) BOBS has been discounted over 4 years (2007: 4 years) due to the nature of BOBS agreement.
- d) Borrowings has been discounted over 5 years (2007: 6 years) due to the nature of the agreements with RISA.

	Fair Value	2008 Carrying Value	Variance	Fair Value	2007 Carrying Value	Variance
	\$	\$	\$	\$	\$	\$
Financial Assets:						
Loans and Receivables						
Cash at Bank	13,999,823	13,999,823	-	8,626,143	8,626,143	-
Receivables	14,898,657	14,898,657	-	12,815,154	12,815,154	-
Total Loans and Receivables	28,898,480	28,898,480	-	21,441,297	21,441,297	-
Financial Assets at Fair Value through Profit and Loss						
Cash on Deposit	10,326,590	10,326,590	-	9,659,569	9,659,569	-
Investments	16,519,203	16,519,203	-	18,682,045	18,682,045	-
Total Financial Assets at Fair Value through Profit and Loss	26,845,793	26,845,793	-	28,341,614	28,341,614	-
Total Financial Assets	55,744,273	55,744,273	-	49,782,911	49,782,911	-
Financial Liabilities:						
Loans and Overdrafts	922,298	991,009	(68,711)	1,450,716	1,539,801	(89,085)
Breeders and Owners Bonus Scheme	14,919,879	15,201,261	(281,382)	11,573,875	12,230,862	(656,987)
Trade and Other Payables	12,446,628	12,446,628	-	8,947,074	8,947,074	-
Total Financial Liabilities measured at amortised cost	28,288,805	28,638,898	(350,093)	21,971,665	22,717,737	(746,072)

NOTES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2008

NOTE 30: INSURANCE ACTIVITIES

	2008 \$	2007 \$
Premium revenue	8,103,697	7,556,812
Reinsurance recoveries and other recoveries revenue	664,604	227,641
Investment revenue	(1,496,084)	2,955,649
Other Income	31,073	178,186
	7,303,290	10,918,288
General and Administration	1,082,504	999,779
Direct claims	12,955,913	3,876,734
Outwards reinsurance	512,334	542,972
	14,550,751	5,419,485
Underwriting result for the financial year excluding investments revenue and expense	(5,751,377)	2,543,154
Investments		
ANZ Trust	16,519,203	18,682,045
	16,519,203	18,682,045
Operating Assets		
Bank	10,315,214	9,648,455
Bank guarantee	65,749	62,779
	10,380,963	9,711,234
Total Assets	26,900,166	28,393,279
Liabilities		
Outstanding claims	32,237,000	25,577,250
Unearned Premiums	205,750	175,182
	32,442,750	25,752,432

Refer to Note 17 for bank guarantee and other information relating to Workers Compensation Provision.

a) Outstanding Claims

Gross undiscounted claim liability	38,282,000	30,610,000
Discount to present value	(11,306,000)	(8,284,000)
Third party recoveries	(97,000)	(387,000)
Re-insurance recoveries	(1,107,000)	(1,499,000)
	25,772,000	20,440,000
Prudential margin	6,465,000	5,137,250
	32,237,000	25,577,250
Current	6,920,973	6,530,708
Non-current	25,316,027	19,046,542
	32,237,000	25,577,250

The average weighted term to settlement of the outstanding liabilities is 5.2 years (2007: 5.7 years).

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

	2008		2007	
	Next Year	Thereafter	Next Year	Thereafter
Inflation rate	4.70%	5.00%	4.00%	4.00%
Discount Rate	6.90%	6.80%	6.60%	6.60%

NOTE 30: INSURANCE ACTIVITIES (CONT.)

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

	2008		2007	
	Current Year Incurred	Reassess Prior Years	Current Year Incurred	Reassess Prior Years
	\$	\$	\$	\$
Gross undiscounted incurred claims	9,787,000	2,928,000	9,061,000	(4,053,000)
Undiscounted reinsurance & other recoveries	(21,000)	18,000	(27,000)	508,000
Net undiscounted incurred claims	9,766,000	2,946,000	9,034,000	(3,545,000)
Discounting of incurred claims	(2,094,000)	46,000	(1,500,000)	(622,000)
Discounting recoveries	5,000	(1,000)	6,000	68,000
	7,677,000	2,991,000	7,540,000	(4,099,000)
Gross discounted incurred claims	7,693,000	2,974,000	7,561,000	(4,675,000)
Discounted reinsurance & other recoveries	(16,000)	17,000	(21,000)	576,000
Net discounted incurred claims	7,677,000	2,991,000	7,540,000	(4,099,000)

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

NOTE 31: RISA

On 26 November 2003, Racing NSW signed a number of transaction agreements relating to the establishment of Racing Information Services Australia Pty Limited ("RISA").

RISA was established to undertake some of the functions of the State Principal Racing Authorities (PRA) which would provide synergies for the PRA's and to facilitate the sale of racing information to the market place.

On 10 September 2004, Racing NSW gave notice rescinding the RISA transaction agreements on the basis of what Racing NSW maintains were misrepresentations of certain crucial matters. RISA advised that it did not accept the notice of rescission and disputed Racing NSW's right to rescind the agreements.

Following negotiations between RISA and Racing NSW, on 19 December 2005 Racing NSW signed an agreement reinstating the November 2003 transaction agreements with an effective date of 1 December 2003. The agreement provided for:

1. Racing NSW to sell its 42% stake in the Registrar of Racehorses to RISA at a sale price of \$1,050,000
2. Racing NSW to obtain an investment in RISA, which is assessed at \$3,511,225
3. Racing NSW to have net funding commitments to RISA of \$2,221,001
4. Racing NSW to recognise equity profits or losses in RISA and not recognise profits or losses in Registrar of Racehorses.
5. Racing NSW director on RISA board has the right to veto RISA Board decisions.
6. RISA has retained a non-exclusive license to sell NSW racing information to persons or organisations that do not use this information for wagering operations but foregone any right to sell NSW racing information to wagering operators.

On 1st July 2007 Queensland Racing Limited acquired an 18% interest in RISA with the impact being a dilution of RNSW's ownership from 42.7% to 35% additionally the net funding commitment was reduced by \$548,792 as was the carrying value of the investment.

DECLARATION BY MEMBERS OF THE BOARD



The Members of the Board declare that:

- (1) the financial statements comprising the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes:
 - (i) give a true and fair view of the financial position of Racing NSW as at 30 June 2008 and its performance for the year ended on that date.
 - (ii) are in accordance with the Thoroughbred Racing Act 1996(NSW) 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 Racing NSW will be able to pay its debts as and when they become due and payable.

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

Mr P Esplin
Deputy Chairman

Dated at Sydney this 14th day of October, 2008

Mr R Ferguson
Director



BDO Kendalls

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF RACING NSW

We have audited the accompanying financial report of Racing NSW, which comprises the balance sheet as at 30 June 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the declaration by the Members of the Board.

Board Members Responsibility for the Financial Report

The Board Members of Racing NSW are responsible for the preparation and true and fair presentation of the financial report in accordance with the Thoroughbred Racing Act 1996 and Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Independence

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

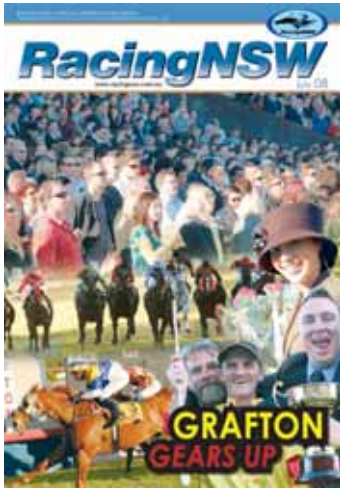
Auditor's Opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of Racing NSW as of 30 June 2008 and of its financial performance and cash flows for the year then ended in accordance with the Thoroughbred Racing Act 1996 and Australian Accounting Standards (including the Accounting Interpretations).

BDO Kendalls

Rob Peck
Partner

Signed at Sydney, this 14th day of October 2008.



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