



# Racing NSW Annual Report 09



## Vision

Provide 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.

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Front cover: Sydney's reigning champions for the 2008-09 racing season (clockwise from top left) – Hugh Bowman, Gai Waterhouse, Theseo and apprentice Daniel Ganderton

## Mission Statement

**“To establish a dynamic NSW thoroughbred industry which advances participation, ensures integrity and delivers quality racing at all levels.”**

## 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.





## CURRENT BOARD



**A F Brown (Alan)**  
**CHAIRMAN**

Appointed 19 December 2008  
Attended 9 meetings



**A R Bell (Alan)**  
**DEPUTY CHAIRMAN**

Appointed 19 December 2008  
Attended 8 meetings



**K M Brown AM (Ken)**

Appointed 19 December 2008  
Attended 9 meetings



**K E Harding (Kim)**

Appointed 19 December 2008  
Attended 9 meetings



**A A Inglis (Arthur)**

Appointed 19 December 2008  
Attended 9 meetings



**P N V'landys (Peter)**

Racing NSW Chief Executive  
Appointed 23 February 2004  
Attended 15 meetings

## BOARD (from 1 July 2008 to 19 December 2008)



**G M Pemberton AC (Gary)**  
**CHAIRMAN**

Independent Chairman  
appointed by the Board  
Retired 2 July 2008  
Attended 1 meeting



**G A Lindley (Gordon)**

Nominated by Racing NSW  
Country  
Retired 19 December 2008  
Attended 6 meetings



**D P R Esplin (Phillip)**

Nominated by eligible industry  
bodies which represent the  
interests of licensed persons and  
race club employees  
Retired 19 December 2008  
Attended 6 meetings



**B J Reardon (Brian)**

Nominated by the Provincial  
Association of NSW  
Retired 19 December 2008  
Attended 6 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  
Retired 19 December 2008  
Attended 5 meetings



**W A Picken (Bill)**

Nominated by the Sydney Turf  
Club  
Retired 19 December 2008  
Attended 6 meetings



**N F Bracks (Noel)**

Nominated by the Australian  
Jockey Club  
Retired 19 December 2008  
Attended 6 meetings



**T R Lobb (Trevor)**

Nominated by eligible industry  
bodies which represent the  
owners and breeders of  
thoroughbred racehorses.  
Retired 19 December 2008  
Attended 4 meetings





**Alan Brown**  
Chairman

The Hon Kevin Greene MP  
Minister for Gaming and Racing  
NSW 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 13th Annual Report of Racing NSW covering the period 1 July 2008 to 30 June 2009.

As you are aware Messrs Alan Bell, Ken Brown AM and Arthur Inglis, Ms Kim Harding and I were appointed to the Board on 19 December 2008 following the enactment of the Thoroughbred Racing Amendment Act 2008 and the Thoroughbred Racing (Further Amendment) Act 2008.

During the reporting period the Board met on 15 occasions (6 under the former Board and 9 under the present Board) and I acknowledge the application, commitment, dedication and expertise demonstrated and provided by all Board members.

Upon its appointment the Board immediately sought to address those matters which were prescribed in the amending legislation, including:

- The development of a Code of Conduct for the Board and Officers of Racing NSW;
- The development of a new Strategic Plan for the industry, and
- A review of the Intra-Code Agreement.

The new Code of Conduct has been implemented and preparation of the Strategic Plan and the Intra-Code Agreement Review are underway and will be finalised during the 2009/10 financial year.

The Board has also formalised the structure and timing of its statutory meetings with the Racing Industry Consultation Group (RICG) with the first such meeting held on 20 January 2009.

One of the most contentious and divisive issues within the NSW Thoroughbred Racing Industry relates to programming and handicapping. In the circumstances the Board resolved that this matter should be addressed as a major priority.

Accordingly, the Board consulted extensively with industry stakeholders and developed a new Benchmark Programming and Handicapping System which was introduced on 1 October 2009.

The Board is also well advanced with the development of minimum venue standards for all NSW racecourses and racetracks. Again these standards are being developed with considerable input from race clubs, RICG and other industry stakeholders.

To date minimum standards have been developed for:

- Racing and Training Surfaces;
- Water Reticulation;
- Rails and Fences;
- Crossings and Gaps;
- Grounds;
- Raceday Equipment, Other Equipment and Training Infrastructure;
- Maintenance and Staff Facilities;
- Safety Standards for Buildings including Public Facilities and Food Premises;
- OH&S and Environmental;
- Staff Safety, Policies and Procedures, and
- Reporting.

During the year Racing NSW had the honour of being chosen to host the 33rd Asian Racing Conference to be held in Sydney in April 2010.

The theme of the conference is "Racing into the Future" and this will include addresses on a wide array of important topics by an exceptional panel of Australian and international speakers.

The Conference is being held simultaneously with the 2010 Sydney Autumn Racing Carnival which will allow us to showcase Sydney racing to the 800 delegates and guests who are expected to attend from Australia and around the world.

Importantly, the Conference will be self-funding and will require no financial contribution from the NSW Thoroughbred Racing Industry.

Racing NSW is currently defending two cases in the Federal Court regarding the constitutionality of the Race Fields Legislation and the manner in which it is being applied. The outcome of those proceedings will have a major bearing on the future financial health of the NSW Thoroughbred Racing Industry.

Finally, on behalf of my Board I thank and acknowledge the outstanding dedication and achievements of the Chief Executive, Peter V'landys and his entire staff at Racing NSW. Their knowledge and experience have been of great assistance to the new Board of Racing NSW.

I would also like to thank you, your staff and your Departmental Officers for the assistance and support provided to me, my Board and Management during the year.

Yours Sincerely

Alan Brown



**Peter V'landys**  
Chief Executive

The year 2008/09 saw racing return to normal after the severe outbreak of Equine Influenza which crippled the industry during the previous financial year.

The year also saw the commencement of the Thoroughbred Racing Amendment Act 2008 which resulted in the appointment of a new Board of Racing NSW and an extension of its functions and powers.

In addition we were finally able to implement the Race Fields Legislation fee regime which is covered in detail below.

During the year Racing NSW also introduced a number of other initiatives which will provide significant benefits for the NSW Thoroughbred Racing Industry.

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

**OPERATING COSTS AND ADMINISTRATIVE CHARGE**

Racing NSW will report a surplus in General Activities for the year ended 30 June 2009 of \$222,248. Whilst recurring expenditure of \$14.087 million was up by \$0.894 million from the previous year (\$13.193 million), revenues also rose by the same level. The increase in expenses and revenues reflects a return to normal activity levels as compared with those experienced in 2008 during Equine Influenza (25 August 2007 to 28 February 2008). Racing NSW has also been able to absorb increased legal costs incurred in defending Race Fields litigation without additional cost to the industry. The First Charge against the TAB Distribution was \$7.227 million, down a further \$0.698 million when compared to \$7.925 million last year. Racing NSW has achieved consistent year-on-year reductions in the First Charge since 2003.

Over this period Racing NSW has been able to achieve accumulated savings of over \$20 million. These savings have been pivotal in enabling increased returns to participants at a time when industry revenue growth has been modest.

The Racing NSW Workers Compensation Fund has shown a deficit of \$6.1 million, in the period.

This outcome was influenced by the following two factors:

1. A fall in the investment fund of \$2.79 million, typical of that experienced throughout the market during the Global Financial Crisis. It should be noted that \$2 million of this decrease has been recouped since 1 July 2009.
2. An increase in provisions of \$4.061 million, reflecting the combined effect of a 30% increase in the annual number of reported claims, increased average claims costs and a higher projected liability for long-term claims as a consequence of material changes in wage inflation and discount rates in the wake of the Global Financial Crisis. The Fund continues to observe a very conservative policy in providing for the future liability of the claims, with some claims being provided for in a worst case scenario over a



25 year period. Further, a 20% prudential margin of \$6.06 million has been added to the liability of the claims as a contingency. Despite the above setbacks the Fund continues to offer NSW trainers lower premiums than was the case in 2004 and substantially reduced premiums than those paid by their interstate counterparts.

**BOARD APPOINTMENTS**

Following the enactment of the Thoroughbred Racing Amendment Act 2008 and the Thoroughbred Racing Further Amendment Act 2008, a process was put in place to select and appoint a new independent Board of Racing NSW.

In accordance with the legislation, a panel of 3 persons appointed by the Minister for Gaming and Racing undertook the selection process and the following persons were appointed as members of the Board on 19 December 2008:

- Mr Alan Brown            Mr Ken Brown AM
- Mr Alan Bell             Ms Kim Harding
- Mr Arthur Inglis

At the Board's inaugural meeting Mr Alan Brown was appointed as Chairman and Mr Alan Bell was appointed Deputy Chairman. In addition, Mr Alan Brown was appointed as Racing NSW's representative on the Boards of Australian Racing Board and Racingcorp, of which he is now the Chairman. Mr Brown has also been appointed Chairman of the Australian Pattern Committee.

**EQUINE INFLUENZA CRISIS**

The NSW Thoroughbred Racing Industry returned to normal following the end of the Equine Influenza Crisis which had threatened its very existence during the previous financial year.

As a result of the efforts of Racing NSW in successfully lobbying for financial support from the Federal and State Governments, industry participants were able to maintain their financial viability during the Crisis.

Included in the support was an unprecedented \$235 million rescue package from the Federal Government which allowed the establishment of a number of programs.

The largest and most beneficial of the programs to NSW participants was the Commercial Horse Assistance Payment Scheme (CHAPS). Devised and administered by Racing NSW, CHAPS payments were made on a "per-horse per-day" basis (\$60 - metropolitan: \$55 - provincial: \$50 - country) in fortnightly instalments to trainers (\$10 per day was retained by Racing NSW for distribution to other industry participants affected by the crisis). These payments provided significant financial support. For example, a metropolitan trainer with 40 horses in work received \$28,000 per fortnight; a provincial trainer with 25 horses in work received \$15,750 per fortnight and a country trainer with 15 horses in work 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.

In addition, Racing NSW was able to negotiate further assistance from the NSW Government in the form of a \$7.5 million grant scheme for the industry's participants and race clubs.

As a result of Racing NSW's efforts in obtaining this financial assistance for the industry the horse population and essential industry personnel were retained thereby enabling a swift return to normal racing activities when the Crisis ended.

**LOBBYING OF FEDERAL GOVERNMENT OVER HORSE REGISTRATION TAX**

In the aftermath of the Equine Influenza Crisis which had already had significant detrimental effects on the NSW Thoroughbred

Racing Industry, the Federal Government announced that it would be enacting legislation to recoup the costs of managing and containing EI. It was estimated that these costs were in excess of \$100 million. It was intended that the legislation would impose a levy of \$200 on the registration of all thoroughbred racehorses in Australia for the next ten years.

In view of the likely impact on the Industry, Racing NSW, in conjunction with the ARB, argued strongly against the imposition of the levy. In this regard I met with the Federal Minister for Agriculture, the Hon. Tony Bourke to outline the damage the levy would cause to the industry and the effect it would have on the finances and livelihoods of industry participants.

Fortunately, the Federal Government was persuaded by the arguments put forward by Racing NSW and decided against proceeding with the legislation.

## WORLD YOUTH DAY

In July 2008 a number of activities associated with World Youth Day were held at Randwick Racecourse. These activities and the preparatory work leading up to them caused a major upheaval for the NSW Thoroughbred Racing Industry, including the relocation of all Randwick based trainers and horses and the complete shutdown of racing and training at the racecourse.

In conjunction with the Australian Jockey Club and Mr John Messara, Racing NSW was able to negotiate a significant financial package and other benefits from the NSW Government to compensate the Australian Jockey Club, Randwick trainers and the industry at large for the inconvenience and losses caused by the World Youth Day activities. Racing NSW also negotiated financial support from the Federal Government.

The financial package included funds of approximately \$27 million and the provision of an unconditional bank guarantee of \$10 million to underwrite any unforeseen rectification works which could have been required as a result of any damage to Randwick Racecourse. Included in the grants was an amount of \$10.8 million which has been administered by Racing NSW with distributions having been made to a wide range of affected industry stakeholders.

Other benefits negotiated included an extension of the Australian Jockey Club's lease on Randwick Racecourse giving the Club effective leasehold of 99 years with an option for a further 50 years and NSW racing receiving its share of monies from the removal of the 16% statutory cap on totalizator commission deductions.

## RACE FIELDS LEGISLATION

The Racing Administration Amendment Act 2006 and associated regulations commenced on 1 July 2008 and the penalty provisions of the legislation and the application of race fields fees commenced on 1 September 2008.

In effect, the legislation requires all wagering operators who use 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 wagering 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 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 per annum. These fees apply equally to all Australian licensed wagering operators, irrespective of the form of wagering service they conduct (totalisators, fixed odds betting and betting exchanges). There has been much discussion and argument over the respective benefits of charging fees based on turnover and on other methods such as a percentage of gross profit. This matter was examined closely by Racing NSW before making its decision.

### • Reasons for basing the fee on turnover included:

- It removes the exposure which would exist in fees based on the "gross profit" of an individual wagering operator's commercial and strategic decisions including its business model, pricing decisions and its success in managing its risk (e.g. how well a bookmaker balances its book). All of these issues are commercial and operational matters for individual wagering operators and their management and are outside the influence or control of Racing NSW.
- Anything other than turnover means that the industry becomes a silent partner of the operator without any input into the operator's business model and without having any certainty as to the level of revenue it can expect to receive. In addition, in an endeavour to increase his market share an operator can reduce his operating margins substantially thereby reducing the industry's revenue stream.
- The Race Fields Legislation is commercially analogous to the owner of intellectual property granting non-exclusive licences to a large number of competing operators. This allows each licensee to determine his own strategy, business model and consumer pricing and the intellectual property owner does not become exposed to those issues or the efficiency of the licensee's operations.
- Turnover is a recognised basis for assessing fees and taxes in the wagering and racing industries. NSW bookmakers currently pay fees to NSW racing clubs based on turnover. Fees charged to international wagering operators for broadcasts of NSW racing for wagering purposes are assessed on the basis of turnover, as are fees charged by international racing industries (e.g. New Zealand, Hong Kong, US) to many Australian wagering operators who bet on their events.
- Although the basis on which State wagering taxes are assessed varies, certain States and Territories assess their wagering taxes based on turnover. Indeed the NSW Government imposed tax on NSW bookmakers based on turnover prior to the abolition of State wagering tax on NSW bookmakers. Further, in the Northern Territory where the majority of corporate bookmakers are licensed the Government still taxes bookmakers on the basis of turnover.
- Basing the fee on turnover prevents the amount of fees received by Racing NSW being influenced by the outcome of individual events, an important issue for Racing NSW given its statutory responsibilities for the NSW Thoroughbred Racing Industry and industry integrity and the importance of avoiding perceptions of potential conflicts of interest.
- A single basis of fees needs to apply across the various types of wagering, including totalisators (where turnover and revenue are directly proportionate with the relationship being set through a pre-determined take-out rate), fixed-odds betting (where the operator is "on-risk" as to the outcome of an event) and betting exchanges (where the operator is not a party to the wagering transaction but rather charges a commission which is set on a basis and at a level determined by the betting exchange operator at his discretion).
- Turnover-based fees enable Racing NSW to maintain "neutrality" amongst wagering operators by limiting the impact on Racing NSW's revenue of the relative success of various operators. Fees based on "gross profit" will always leave Racing NSW's revenue base exposed to a transfer of turnover from "higher margin" operations to "low margin" operations.
- Wagering provides the majority of the funding for the racing industry. Accordingly, to base fees on "gross profit" would result in wagering operators who, for whatever reason (e.g.





regulation, product offering, business model, pricing, management skill), are successful in achieving higher gross margins effectively subsidising the cost of the racing product for operators who can not, do not or choose not to achieve the same margin.

- Gross profit can be manipulated in an operator's business as he could disguise marketing expenses as payments on winning bets by offering excessive odds or providing free bets to journalists and media commentators on the basis of receiving free publicity and advertising. Further, as a promotion the operator could give out free bets on an event. These strategies would artificially reduce his gross profit figure.
- Because Racing NSW does not regulate the operations of interstate wagering operators it is not able to satisfy itself that operators are not placing bets on winners after the running of the race thereby reducing their gross profits. There have been numerous examples of this practice occurring. The practice was referred to in the Woodward Royal Commission into drug trafficking.
- Where bookmakers "bet-back" amounts with totalisators it is not uncommon for them to receive rebates/inducements of up to 6% of turnover. However, there is no guarantee that these amounts would be included in the bookmaker's gross profit figure on which he calculates his payments to the racing industry.
- Turnover-based fees are easier to assess and administer across a number of wagering operators who offer different types of wagering.
- It is the most competitively-neutral method of applying the fee.

As at 30 June 2009 the majority of wagering operators throughout Australia had sought approval to publish NSW thoroughbred racing fields. Approvals under the legislation were granted as follows:

- Betting Exchanges - 1
- Totalisators - 8
- Corporate Bookmakers - 12
- On-Course Bookmakers - 354

For the 10 months ended 30 June 2009, an amount of \$44 million had been accrued as a result of payments due under the scheme from the respective wagering operators and it has been estimated that \$54 million will be generated during the 2009/10 financial year.

However, the distribution of those funds to the State's race clubs and therefore to industry participants has been delayed as a result of court proceedings instigated by the betting exchange operator, Belfair and the Northern Territory Corporate bookmaker Sportsbet, challenging the validity of the legislation and the manner in which it had been applied by Racing NSW. Details of those proceedings are set out below.

Tabcorp has also claimed that it is entitled to a set-off under the Racing Distribution Agreement in respect of any race field fees that it is required to pay.

### **BETFAIR AND SPORTSBET COURT PROCEEDINGS**

During the year Belfair and Sportsbet commenced Federal Court proceedings resisting payment of the fees imposed by Racing NSW under the Race Fields Legislation on the basis that the fee imposed by Racing NSW, being 1.5% of turnover over a threshold of \$5 million, discriminates against them as interstate operators. Those proceedings have been vigorously defended by Racing NSW, and are listed for hearing before Justice Perram of the Federal Court for three weeks beginning on 16 November 2009. Racing NSW and Harness Racing NSW are represented by Tim Price of Yeldham Price O'Brien Lusk in both the Belfair and Sportsbet proceedings and counsel appearing on behalf of Racing NSW are Justin Gleeson SC, Simon Kerr and James Emmett. A number of interlocutory matters in respect of pleadings,

discovery, confidentiality and evidence have been dealt with during the period to 30 June 2009 in preparation for the hearings.

### **CAMERON REPORT**

As identified in last year's Annual Report, Racing NSW put forward a detailed submission to the Independent Review of Wagering Regulation conducted by Mr Alan Cameron.

Mr Cameron subsequently submitted a report to the Minister which was circulated throughout the industry for comment.

The Board's initial response to the Cameron Report however, was one of disappointment as Mr Cameron appeared to have overly concentrated on the wagering aspects of his review to the exclusion of the sustainability of the racing industry. In fact, if implemented, some of his recommendations would have a negative effect on the finances and therefore the sustainability of the three codes of racing generally and the NSW Thoroughbred Racing Industry in particular. The writer of the report appeared to have attempted to satisfy many of the wishes of NSW and interstate wagering operators without due regard to their effects on the finances of the NSW industry. Similarly, the writer acquiesced to the recommendations of the Greyhound Racing Industry without due regard to the detrimental effect those changes would have on the Thoroughbred and Harness Racing Industries and without taking into account the historical context behind the privatisation of the TAB and the development of the associated commercial arrangements which accompanied that process.

Nevertheless, Racing NSW does support many of Mr Cameron's recommendations and responded to the Minister's invitation to provide its views and comments on the recommendations.

At the time of writing this report the Government had not announced its response to the Report and the recommendations therein.

### **INTRA-CODE AGREEMENT**

Section 291 (1) of the Thoroughbred Racing Act 1996 provides that Racing NSW may from time to time undertake a review of the Intra-Code Agreement for the purpose of ensuring that the Agreement is in the best interests of the horse racing industry as a whole in New South Wales.

Section 291 (2) further provides that following such a review, Racing NSW may invite the other parties to the Intra-Code Agreement to submit a proposal for such changes to the Agreement as may be necessary or desirable for ensuring that the Agreement remains in the best interests of the horse racing industry as a whole in New South Wales.

In accordance with Section 291 (3), the first review of the Agreement is to be commenced within 6 months after the commencement of this section (i.e. 19 June 2009).

Racing NSW wrote to the other parties to the Intra-Code Agreement (AJC, STC, Provincial Association of NSW and Racing NSW Country) on 28 January 2009 inviting them to submit their suggestions as to those matters which should be included in the review.

Comments and suggestions were received from the various parties and Racing NSW commenced its review in accordance with the legislation.

It is intended that consultation will be held with these parties in the early part of the 2009/10 financial year and that a revised Agreement will be formulated with sufficient time for it to be implemented for the 2010/11 financial year.

### **JOCKEYS' PAYMENTS**

Following receipt of a detailed submission from the NSW Jockeys' Association and based on information available to it the Board increased the race riding fee to \$150 per ride. In addition, the Board resolved that the fee for riding in official barrier trials would remain at

35% of the race riding fee, i.e. \$53.00 per ride.

These increases became effective on and from 1 February 2009.

In arriving at its decision the Board was cognisant of the fact that there has been no increase in the riding fee since 1 December 2006 and that the current NSW fee was lower than the fees paid in several other Australian jurisdictions.

In addition the Board agreed to a proposal for 1% of prizemoney to be deducted and utilised for the payment of Personal Accident insurance and for the financing of NSW jockeys' welfare programs, professional development, retraining and further education and to provide financial assistance to jockeys who sustain career ending injuries, or who retire prematurely.

This initiative commenced on 1 July 2009.

### BENCHMARK PROGRAMMING & HANDICAPPING SYSTEM

In early 2009 the Board of Racing NSW instituted a review of its existing programming and handicapping policies.

The review was required to:

- address dissatisfaction with programming, handicapping and the Ratings system in NSW racing;
- evaluate whether handicapping at Racing NSW equalised the chances of all runners in handicap races;
- assess the merits and shortcomings of the NSW Ratings system, and
- ensure any new policy aimed to improve returns to participants, betting turnover, field sizes, and opportunities for horses to compete in suitable races.

In conducting its review Racing NSW consulted extensively with all relevant sections of the industry and various individual trainers and acknowledged industry experts.

After this process the Board resolved to replace the existing Ratings system with the BENCHMARK system from 1 October 2009.

The BENCHMARK system is a revolutionary and innovative system, bringing together the best elements and resources of modern regulatory handicapping and private handicapping by form analysts, working independently of the regulating authority.

Ratings will be superseded by a published BENCHMARK that denotes the weight each horse will carry at its next start, with each BENCHMARK point equalling half a kilogram.

Under the BENCHMARK system handicapping will be truly merit based. Immediately after every start, each horse will be assessed according to the true merits of its performances against the entire horse population racing in NSW. Accordingly, there will be no standard penalties.

The BENCHMARK assessment process will begin with a mathematical (computer-based) calculation from proprietary software developed by Racing & Sports Pty Ltd under contract to Racing NSW. The computation takes into account an exhaustive list of relevant factors such as the quality of the field, sectional and race times, state of the track, number of starters, weight carried, beaten margin and recent and historical individual performances.

The computer ranking is reviewed by experienced form analysts from Racing & Sports Pty Ltd who then provide Racing NSW with a recommendation within 48 hours of each horse running.

Finally the panel of the Racing NSW Handicapping Department reviews the background to the recommendation, the race film and other race data, and confirms or varies the updated BENCHMARK for each horse.

A significant step in the start up process is that each horse will be re-assessed before 1 October 2009 using the merit based system, which may position it higher or lower on the scale than its current rating. This realignment is necessary to launch the BENCHMARK system with allocations that accurately reflect the true merit of each horse relative to the entire NSW horse population.

In particular, Country performed horses will generally be reassessed on a lower range, with the result that they may effectively drop approx 5 - 8 points (2.5 – 4 kilos) from their current assessment when compared to their Metropolitan and Provincial counterparts.

Ratings races will be replaced by BENCHMARK races. The BENCHMARK figure published in the race program denotes the horse that will carry the minimum required topweight of 58kg in that event. Allowances apply for fillies and mares, and for 3-year-olds.

Horses that are assessed above the BENCHMARK number of the race are still eligible to compete, albeit with a higher weight, rather than be pushed to a higher grade as happens with the current ratings races. For example in a BENCHMARK race of 80 a horse with a BENCHMARK of 80 (with no allowances) will carry 58kg. A horse with a BENCHMARK of 86 (with no allowances) can be entered for the race and will carry 61kg i.e. 6 BENCHMARK points equals 3kg. Alternatively a horse with a BENCHMARK of 77 will carry 56.5kg i.e. 3 BENCHMARK points equals 1.5kg.

A filly or mare is given a 2kg allowance. Accordingly a mare with a 76 BENCHMARK will carry 54kg.

This is better illustrated by the full example below, for a BENCHMARK 80 race to be held in October, which takes into account allowances for fillies, mares and 3-year-olds.

Race Benchmark	<b>80</b>	Minimum Wgt	<b>53kg</b>
Allowance for Fillies/Mares	2kg	Allowance for 3YO	2.5kg

Horse	Sex	Age	Benchmark	Weight
Purple Prince	G	7	86	61.0 kg
Little Pip	F	3	82	54.5 kg
Exercise Pad	G	5	80	58.0 kg
Boutique Girl	M	4	80	56.0 kg
Harding's Boy	G	6	78	57.0 kg
Madeline	M	4	78	55.0 kg
George Regal	H	5	77	56.5 kg
Henrietta	M	5	76	54.0 kg
Rooster Boy	C	3	75	53.0 kg
(horse names fictitious)			1 Benchmark Point - 1/2 kilo	

### RACE CLUB MERGERS

During the year, Racing NSW was asked by the Minister for Gaming & Racing to facilitate an assessment of the merits of a merger of the AJC/STC and Gosford/Wyong Race Clubs. Accordingly, Terms of Reference were agreed to by all four clubs after an extensive consultation process.

Tenders were then called for and after an exhaustive process Ernst & Young was selected to undertake the review. The clubs were involved in that process and in fact Ernst & Young was the first choice of the AJC and the STC to carry out the task.

#### AJC/STC

Ernst & Young subsequently presented a report in which it highlighted the benefits which might be achieved as a result of a merger between the AJC and STC. In this regard Ernst & Young estimated that the merger would result in total recurrent benefits of \$21 million per annum, based on savings of \$10 million per annum plus increased revenues of \$11 million per annum.

Ernst & Young suggested that the \$21 million per annum could be used for various purposes including debt reduction, new facilities, prizemoney increases and marketing, etc.





Following the release of the report, the AJC and STC commissioned the consulting firm LEK to conduct a further study. That study arrived at different conclusions than those suggested by Ernst & Young. As a result of the information contained in the two reports agreement was reached with the AJC and STC for the formation of a Merger Benefit Team to further examine the matter. That working party will comprise representatives of the 2 clubs together with Racing NSW.

#### **GOSFORD/WYONG**

Ernst & Young also believes the 'super club' concept could be used to bring a world class venue to the Central Coast. The study found that there would be minimal financial synergies of merging Gosford and Wyong clubs without consolidation of racetracks. However, the potential exists to create a new 'super club' on the Central Coast. Options to fund the new club include the sale of the existing two racetracks and the development of a new location designed to provide top class racing and training, with competitive surface and track proportions.

#### **BOBS EXTRA**

For some time Racing NSW has been examining means of increasing racing opportunities for horses capable of competing over middle distance and staying type races.

Racing NSW has now extended the successful Breeder Owner Bonus Scheme to cater for BOBS Extra which has been introduced to strengthen middle distance and staying events in NSW, to prolong horses' careers, and to make horse ownership more affordable. BOBS Extra will provide the same bonuses as BOBS from the day a horse turns 4YO until the day it retires, for wins over distances of 1600m and beyond.

Owners and trainers have responded enthusiastically to this initiative, and one in every three 2YOs nominated for BOBS has been entered for BOBS Extra as well. Clubs will be required to program more middle distance events to ensure that there is a balance between sprinting and staying events.

#### **PRODUCTIVITY COMMISSION INQUIRY INTO GAMBLING**

Following a decision by the Council of Australian Governments, the Federal Government asked the Productivity Commission to undertake a public inquiry into gambling.

The inquiry will provide an update on developments since its previous report, and consider a wide range of issues, including:

- the nature and definition of gambling and the range of activities incorporated within this definition;
- the economic impacts of the gambling industries, including industry size, growth, employment, organisation and interrelationships with other industries, such as tourism, leisure, other entertainment and retailing;
- the contribution of gambling revenue on community development activity and employment;
- the effects of the regulatory structures - including licensing arrangements, entry and advertising restrictions, application of the mutuality principle and differing taxation arrangements governing the gambling industries, including the implications of differing approaches for industry development and consumers, and
- the implications of technologies (such as the Internet), including the effect on traditional government controls on the gambling industries.

Racing NSW made a detailed submission to the Productivity Commission on behalf of the NSW Thoroughbred Racing Industry. In its submission Racing NSW argued, amongst other things, that legislation should be strengthened in respect of the rights of a State racing authority to determine the appropriate fee for the use of its race fields and the manner for applying that fee.

It was also proposed that the opportunity should be taken for the

Interactive Gambling Act to be amended to prohibit the practice of wagering operators (other than totalizator licensees) offering totalizator odds' betting over the internet.

A full copy of Racing NSW's submission can be accessed on the Productivity Commission website.

#### **MINIMUM STANDARDS**

Amongst the new powers bestowed on Racing NSW under the recently amended legislation is the power to set minimum standards for the conduct of race clubs and race meetings.

In order to develop minimum standards for NSW racecourses and racetracks, Racing NSW forwarded an in-depth questionnaire to every race club in New South Wales with the intent of establishing a database of the industry's assets and the current state of the various club facilities, racetracks and training tracks.

The collation of this information then allowed Racing NSW to commence the development of minimum standards for racing facilities throughout the State.

This process has involved ongoing consultation with all relevant stakeholders and it is anticipated that the first minimum venue standards will be implemented during the first quarter of the 2009/10 financial year.

#### **CONCLUSION**

2009/10 will be a landmark year as it will see the finalisation of the legal challenges to the Race Fields Legislation and the manner it is being implemented by Racing NSW. Hopefully, this will finally provide some certainty to the issue and allow the industry to receive a fair return from all wagering operators using the racing product for their commercial gains.

As I mentioned earlier, a new Board was appointed on 19 December, 2008. Accordingly I would like to place on record my appreciation and thanks to all Board members who served under the former legislative structure. Each of those members provided me with significant support, assistance and friendship during their respective tenures and I wish them well in their future endeavours.

In particular I must mention Graeme Pash who sadly passed away on 21 October 2008. As well as being one of the industry's most able administrators, Graeme was one of the nicest persons in racing. His death was not only a great loss to his family but also to the racing industry.

We always joked that if we wanted world peace all we had to do was send Graeme in. His charm, sincerity and kindness were embraced by everyone.

I would also like to place on record my appreciation of the support and assistance given to me by the new Board members of Racing NSW. These members brought with them a wealth of industry knowledge, expertise and business acumen which will be of great assistance to the industry in the coming years.

In particular, I would like to thank the Chairman, Alan Brown for his leadership and for the personal support he has given me since his appointment.

I must also acknowledge the commitment, loyalty and efforts of the staff of Racing NSW. Their contributions during the year were outstanding.

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 cooperation and assistance during the year.

Peter V'landys  
**Chief Executive**



**Scott Kennedy**  
General Manager - Industry

**WAGERING ON RACING**

Totalizator wagering in NSW recovered during 2008/09 following the damaging impact of Equine Influenza (EI) the previous year to a total of \$4.764 billion.

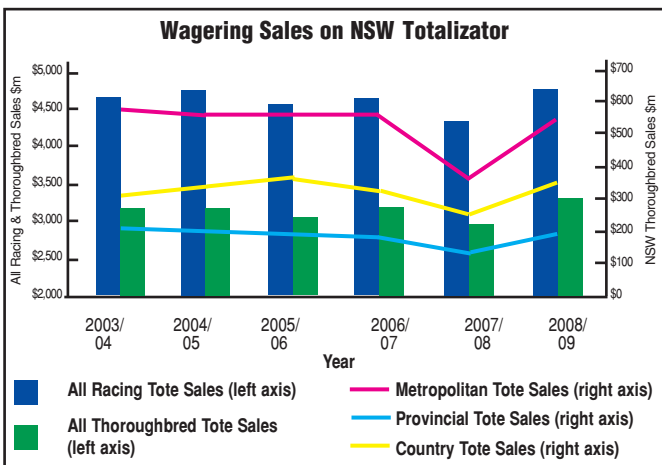
While the total totalizator wagering sales eclipsed those of the past five years, the result is modest when viewed in a broader context.

Racing wagering sales on the NSW totalizator were helped in part by the NSW TAB's 'Power Pays' promotion that applied lower deduction rates to win betting on metropolitan races for two months in early 2009. Accordingly overall, totalizator wagering margins were slightly lower than those of previous years.

Taking out the one-off impact of EI in 2007/08, it is apparent that the longer term trend for totalizator wagering in NSW is flat.

In the five years between 2003/04 and 2008/09, totalizator wagering in NSW grew by a total of only 3.5%. All thoroughbred racing sales performed similarly with total point to point growth of 3.9% across the five-year period. While sales of NSW country racing grew by 12.6% over this period, the number of TAB meetings staged increased from 288 to 316.

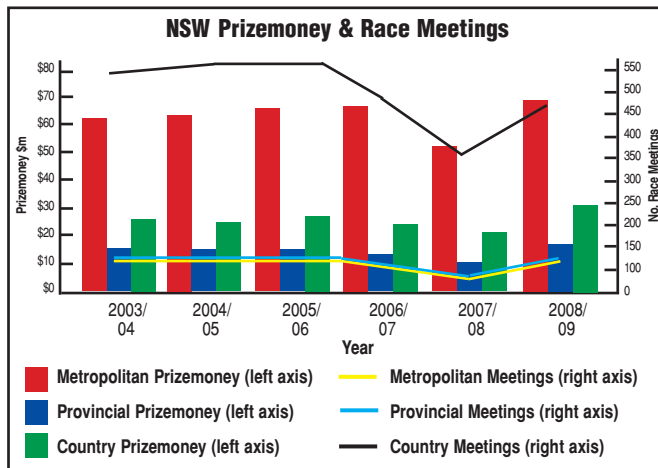
Over the same period the CPI grew by 15.3%, a rate well ahead of the categories of TAB sales discussed above.



A total of \$1.08 billion was held by the NSW TAB on NSW thoroughbred racing during 2008/09. It is estimated that a further \$2.5 billion was wagered on NSW thoroughbred racing with other Australian wagering operators during 2008/09.

**PRIZEMONEY AND RETURNS TO OWNERS**

The chart below summarises prizemoney and the number of meetings held in NSW.



The total number of metropolitan race meetings scheduled was one less than usual with World Youth Day (WYD) causing Royal Randwick Racecourse to be unavailable for several months.

In turn this placed greater pressure on remaining tracks necessitating the transfer of some midweek meetings to provincial tracks. Otherwise the number of scheduled metropolitan and provincial race meetings is at the level required under racing's commercial agreement with Tabcorp.

Country racing continues to conduct more TAB race meetings than the 241 required by the racing industry's 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.

Increased minimum prizemoney levels that took effect from between February 2008 to August 2008 saw total returns to owners at record levels in 2008/09.

Total prizemoney paid by NSW race clubs in 2008/09 was \$117.6 million, well above the \$104 million paid in 2006/07 – the last year unaffected by EI. The increases reflected minimum prizemoney at the following levels:

**Group and Listed Races**

- \$150,000 Group Two Races
- \$125,000 Group Three Races
- \$100,000 Listed Races

**Metropolitan Non-Feature Prizemoney**

- \$70,000 Saturday Races
- \$27,000 Midweek Races

**Provincial Non-Feature Prizemoney**

- \$16,000 Midweek Races
- \$14,000 Weekend Races

**Country TAB Prizemoney**

- \$9,000 TAB Races

These minimum prizemoney levels are being maintained in 2009/10.

BOBS bonuses and jockeys' riding fees also contributed to growth in returns to owners. Total BOBS bonus payments (including double ups) were a record \$8.4 million. Following a 15% increase in ride fees to jockeys from February 2009, total payments were almost \$7.7 million or \$600,000 more than the previous high.

Overall returns to owners were \$143.7 million, comfortably surpassing the \$126.5 million recorded in 2006/07.



## PAYMENTS TO RACE CLUBS FROM TAB FUNDING

Following reductions in prizemoney and other racing costs to clubs from EI in 2007/08 and with 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 for that year.

These amounts were included in the TAB distributions declared for 2008/09. TAB distributions for 2009/10 will, other things being equal, be collectively lower by \$9 million.

The chart below summarises TAB distributions and basic elements of returns to owners (RTO) for 2008/09 and preceding years.

## RACE CLUB DEVELOPMENTS

World Youth Day celebrations at Royal Randwick Racecourse in July 2008 presented a considerable challenge for the racing industry in July and August 2008.

The legacy to racing following the event is upgraded training facilities at Royal Randwick, Warwick Farm and Rosehill Gardens Racecourses.

The Global Financial Crisis has had a negative impact on race clubs with corporate expenditure on hospitality packages at lower levels than previous years.

Race club mergers are discussed in the Chief Executive's Report.

## REVIEW OF RACE PROGRAMMING AND HANDICAPPING

Following the appointment of the new Board of Racing NSW, one of the first policy initiatives pursued was a review of handicapping and programming policies.

In January 2009, Racing NSW proposed nine recommendations pertaining to handicapping and programming and called for submissions from interested parties addressing these matters. More than 50 submissions were received from various parties within the racing industry, including a submission from the NSW Trainers Association following consultation with 170 trainers across NSW.

Following the consultation phase, Racing NSW confirmed the adoption of the following recommendations as policy:-

- The adoption of a benchmark merit handicapping system with penalties based on the underlying merit of a horse's performance

and the handicappers applying a benchmark figure based on their discretion;

- A single line system across NSW where one point equals one half kilo, and
- Replacement of Rating Band races with BENCHMARK races, with the benchmark level of a race equalling a weight of 58kg. Whereas ratings races restricted eligibility at the top of the rating band, BENCHMARK races remove restrictions at the top, enabling better performed horses to contest the races, but carry a higher handicap.

Racing NSW has engaged Racing and Sports Pty Ltd to provide the Handicapping Panel additional resources to implement the merit based handicapping of horses. This system will be introduced in NSW from 1 October 2009.

An important objective from the introduction of BENCHMARK races and programming generally is to create racing opportunities for participants and to make attractive, interesting races for racing's customers.

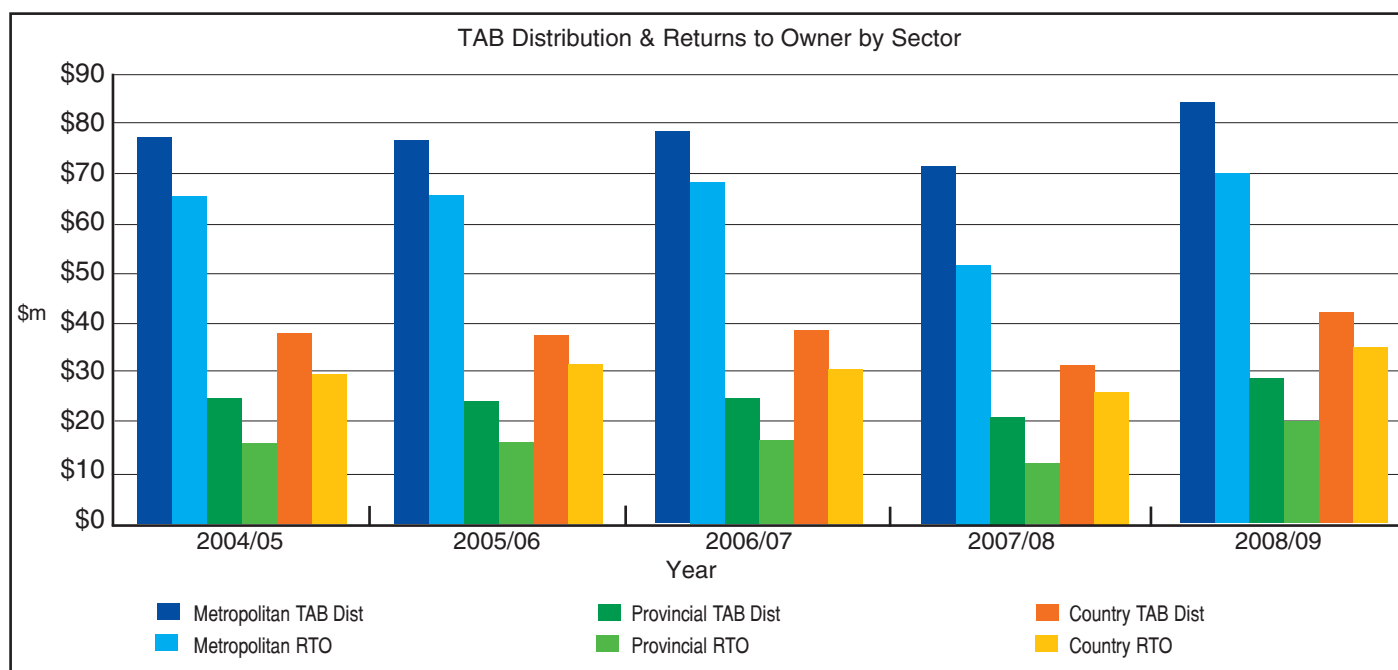
## 2008/09 RACE STATISTICS

A total of 743 race meetings were held across the State during the 2008/09 season, the increase of 38% in comparison to 2007/08 reflects the recovery of the racing industry after Equine Influenza. Country racing expanded its Saturday morning TAB meeting coverage to cover six months of the year being the full daylight savings period.

## RACE MEETINGS

SECTOR	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04
Metropolitan	121	88	121	123	122	123
Provincial	122	86	118	126	124	127
Country TAB	291	220	288	315	306	287
Country Saturday TAB	25	25	20	49	8	0
Country Non-TAB	154	99	175	154	206	243
Picnic	30	18	26	25	27	26
<b>TOTAL</b>	<b>743</b>	<b>537</b>	<b>748</b>	<b>792</b>	<b>793</b>	<b>806</b>

As expected, the number of races and starters conducted during the season also increased in line with the number of race meetings.





## RACES CONDUCTED

SECTOR	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04
Metropolitan	936	688	945	955	962	951
Provincial	955	699	942	989	1,002	1,046
Country TAB	2,274	1,763	2,254	2,402	2,330	2,192
Country Saturday TAB	197	197	142	348	59	0
Country Non-TAB	816	526	960	813	1,098	1,295
Picnic	173	101	150	144	157	152
<b>TOTAL</b>	<b>5,351</b>	<b>3,974</b>	<b>5,393</b>	<b>5,651</b>	<b>5,608</b>	<b>5,636</b>

## RACE STARTERS

SECTOR	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04
Metropolitan	9,242	6,615	9,192	9,501	9,183	9,840
Provincial	9,766	7,377	9,552	9,715	10,129	10,893
Country TAB	25,132	19,520	24,582	25,341	24,740	22,718
Country Saturday TAB	2,089	2,142	1,681	3,167	599	0
Country Non-TAB	6,633	4,332	7,876	6,395	8,665	10,263
Picnic	1,084	605	974	807	918	876
<b>TOTAL</b>	<b>53,946</b>	<b>40,591</b>	<b>53,860</b>	<b>54,926</b>	<b>54,234</b>	<b>54,590</b>

## RACE FIELD SIZES

As a whole, across NSW, average field sizes increased to an average of 10.08 starters from 9.99 starters in 2006/07 (previous full year), but were lower than the 10.21 average during 2007/08.

The average field size of 10.21 in 2007/08 is attributable to the high levels of activity in country racing when Department of Primary Industries movement restrictions were lifted coming out of EI.

Conversely, metropolitan field sizes were impacted more significantly by EI, but recovered in 2008/09.

Average starters in the metropolitan sector increased to just on 10 starters per race, up from between 9.6 and 9.95 in the preceding years. The average of 10.23 starters in the provincial sector 2008/09 was down in comparison to the average of 10.55 starters during 2007/08, but up against the averages in the preceding years.

Country TAB average field size of 11.05 remained at similar levels to the EI year and ahead of the preceding years. Otherwise, country Saturday TAB and country Non-TAB averages were broadly in line with recent years.

Picnic races returned to a normal average field size of around 6 starters.

## AVERAGE FIELD SIZES

SECTOR	2008/09	2007/08	2006/07	2005/06	Change (08/09 vs 07/08)
Metropolitan	10.01	9.60	9.73	9.95	0.41
Provincial	10.23	10.55	10.14	9.82	-0.32
Country TAB	11.05	11.07	10.91	10.55	-0.02
Country Saturday TAB	10.60	10.87	11.84	9.10	-0.27
Country Non-TAB	8.13	8.23	8.20	7.87	-0.1
Picnic	6.27	5.99	6.49	5.60	0.28
<b>TOTAL</b>	<b>10.08</b>	<b>10.21</b>	<b>9.99</b>	<b>9.72</b>	<b>-0.13</b>

Overall, the proportions of small fields across all sectors in 2008/09 have resumed to the normal rates of the previous full year 2006/07.

## % OF SMALL FIELDS (LESS THAN 8 STARTERS)

SECTOR	2008/09	2007/08	2006/07	2005/06
Metropolitan	18.50%	22.62%	18.62%	15.08%
Provincial	16.75%	14.41%	16.67%	19.62%
Country TAB	10.09%	12.37%	9.32%	13.57%
Country Saturday TAB	11.86%	23.63%	11.27%	27.87%
Country Non-TAB	45.47%	43.60%	45.00%	55.47%

That is, the proportions of small fields in metropolitan, country TAB and country Saturday TAB sector were all down in comparison to the EI period 2007/08. In contrast, provincial and country non-TAB produced more small fields in 2008/09 than the EI period 2007/08.

In 2008/09, the proportion of small fields in the metropolitan area improved on the EI affected year back to the levels of 2006/07.

The proportion of provincial races with small fields was similar to the levels prior to EI. Country racing continues to perform strongly with a relatively small proportion of TAB races with less than 8 starters.

## GROUP AND LISTED RACING HIGHLIGHTS

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

Of the 67 Group One races run in Australia during 2006/07, 32 were won by NSW-trained horses. Gai Waterhouse highlighted the achievements of NSW trainers; four of the horses under her care recording a total of six Group One victories during the season, spearheaded by Star Thoroughbred's "Theseo".

Leading Warwick Farm trainer Peter Snowden, having taken over control of the Darley operation, recorded five Group One wins with four different horses. Champion trainer Bart Cummings trained three Group One winners, highlighted by Viewed being his 12th Melbourne Cup winner.

All NSW-trained Group One winners are summarised on pages 24-25.

## BUSINESS PLANS AND STRATEGIC PLAN

Section 14B (1) of the Thoroughbred Racing Act 1996 provides that Racing NSW is to prepare business plans for its activities from time to time.

In addition Section 14B (3) of the Act provides that Racing NSW is to prepare an initial Strategic Plan for the horse racing industry within 12 months after the commencement of the legislation (by 19 December 2009).

The legislation further provides that these plans are to be prepared in consultation with RICG and other horse racing industry stakeholders.

As at 30 June 2009, Racing NSW had not finalised these matters. Unfortunately progress on the development of the Strategic Plan had been delayed as a result of the commencement of proceedings in the Federal Court by Betfair and Sportsbet challenging the validity of the Race Fields Legislation and the method adopted by Racing NSW

for its implementation. Accordingly, until Racing NSW can be assured of the level of revenue the industry can receive from Race Fields Legislation it is difficult to develop plans with any certainty that they can be fulfilled.

A further matter which delayed the planning process was the request received from the Minister for Gaming and Racing for the industry to examine the benefits which might be achieved as a result of a merger between the AJC and the STC and between the Gosford and Wyong Race Clubs.

As would be expected the final decision on this matter will have a major impact on planning for the industry's future.

Nevertheless it is anticipated that the Strategic Plan will be completed by the due date.



**Keith Bulloch**  
General Manager - Regulatory

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

- Race Fields Legislation: approval to Wagering Operators to use Race Fields Information and fees payment;
- Licensing of industry personnel;
- Registration – NSW functions including changes of horse ownership, transfers, leases and syndicates;
- Handicapping;
- Syndications, Licensed Promoters and ASIC communication;
- Racing colours;
- Jockey Safety Secretariat;
- Rules of Racing, betting and some disciplinary enquiries in conjunction with stewards, and
- Project work as assigned.

The GM - Regulatory has a supervisory role in regard to these areas, including senior management reporting to the Board and implementation of Board policy. Department activities are reported under department headings below.

In addition to these, specific project work was commenced, or carried over into the 2008/09 year, including:-

### **RACE FIELDS LEGISLATION – INTRODUCTION AND MANAGEMENT OF LEGISLATIVE REQUIREMENTS**

The *Racing Administration Act 1998* (the Act) was amended to require Australian wagering operators to seek approval from Racing NSW to “publish” NSW Thoroughbred Race Fields.

All Australian wagering operators (Bookmakers, TABs, Corporate Bookmakers and Betting Exchanges) who “published” NSW Race Fields required Racing NSW’s approval to do so from the 1st September 2008.

On 3rd December 2008 amendments were made to the Act to close a technical loophole which refined “publication” to any “use” of NSW Thoroughbred Race Fields Information.

NSW Thoroughbred Race Fields Information is considered to be any information that identifies, or is capable of identifying, the name/s or number/s of horses that have nominated for, or will take part in, a thoroughbred race to be held at a NSW thoroughbred race meeting, or that has been scratched or withdrawn from a thoroughbred race meeting. “Use” includes amongst other things, any oral, visual, written, electronic or other display or communication.

The Act also provides that Racing NSW may impose conditions on Race Field use approvals.

Certain publications, such as those designated as ‘not for profit’



social purposes, certain racing organisations and media bodies are authorised to use NSW Thoroughbred Race Fields and are not subject to Racing NSW Standard Conditions.

In July and August 2008 Racing NSW put into place a process of approval to authorise Australian wagering operators’ (Bookmakers, TABs, Corporate Bookmakers and Betting Exchanges) use of NSW Race Fields, subject to a set of Standard Conditions which includes the following:-

- Integrity and quality control processes regarding the recording of betting information and Key Employee accreditation;
- Australian wagering operators whose net turnover is above the annual exempt turnover threshold (currently \$5 million) are required to pay Racing NSW a fee of 1.5% of the turnover amount in excess of \$5 million. This fee is payable monthly in arrears with a settlement based on the total period turnover between Racing NSW and the wagering operator at the end of the period, and
- Australian wagering operators are required to comply with other conditions designed to enable Racing NSW to administer the Race Fields Information Use legislation.

GM - Regulatory was responsible for the development and management of the administration process for NSW Race Fields Information Use, including the publishing of information, documents and application forms, assessing and approving applications, determining the applicable fee for wagering operators whose turnover was above the threshold level and ensuring all Australian wagering operators who use NSW Thoroughbred Race Fields comply with the legislation.

After the initial application process, an ongoing reporting process, annual renewal format and audit monitoring program is a requirement of continued approval to use NSW Thoroughbred Race Fields Information.

### **JOCKEYS SAFETY REVIEW**

The National Jockey Safety Review entered the final development stage of its project which is part-funded by Rural Industries Research and Development Corporation (RIRDC) including:-

- Professor Andrew McIntosh of the UNSW School of Safety Science has completed computer simulation testing of new combinations of helmet material to measure how they would react under different pressures. Favourable results were produced, the materials were then moulded into head form shapes as prototype helmets for crash-dummy testings. The final stage of the project is to engage a manufacturer to turn the prototype successes into a commercial product which provides greater safety to riders in the minimisation of serious head injury;
- 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 was completed. Each racing State is now able to enter horse and person injury data into one central system, providing advantages in gathering statistical information for health and safety research, and
- Stewards are now trialling marker pegs as a safer alternative to running rails at NSW metropolitan and provincial barrier trials; the next stage will be country picnic race meetings.

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

Final reporting to the Department of Agriculture, Forestry and Fisheries ("DAFF") was required to complete Racing NSW management of CHAPS. This included successful sign-off by Independent Government Auditors that Racing NSW had administered, managed and distributed the CHAPS funding in accordance with the strict conditions of the binding agreement.

There is little doubt the funding provided the industry the lifeline it needed to survive the EI shutdown and to ensure racing returned to full strength in the months and years following the EI Crisis.

## 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 Licensing Committee met on four occasions during 2008/09. The role of the Licensing Committee, with oversight of the Chief Executive and Board, is to set licensing policy and procedure for Racing NSW.

Applicants for licences may also be further interviewed at these meetings. The Committee consists of a panel of Racing NSW senior management and is chaired by the GM - Regulatory.

## TRAINING PARTNERSHIPS

Following changes to the Australian Rules of Racing to cater for the introduction of Training Partnerships, relevant licence conditions were determined and appropriate procedures were established to allow for the consideration of such applications.

Rules allow an application from up to three trainers to form a partnership to be considered. Trainers must operate exclusively within the partnership and are not permitted to train as an individual or in another training partnership in Australia or elsewhere.

## 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 2008/09, five bookmakers were obliged to upgrade their guarantees to comply with the schedule. An application from one bookmaker to reduce his guarantee due to a decrease in turnover was also approved this year.

## INCREASE IN APPRENTICE JOCKEYS' WAGES

After reviewing the report that provided a comparison to other State apprentice jockey wages, and to other NSW trades apprentice wages, and changes to the Consumer Price Index since the last review, the Licensing Committee approved a 7% increase for NSW apprentice jockeys wages effective 1st January 2009.

## COMPARISON OF LICENSING STATISTICS – 2008/09 vs. 2007/08

NSW licensing statistics experience slight variances from year to year. The total number of trainers licensed when compared to last season was up by 1.4%. This is against the trend of many years of a slight decline in numbers per season.

The fact that the previous season was affected by the Equine Influenza-enforced shutdown of racing and the positive effect that the Commercial Horse Assistance Payment Scheme had on ensuring trainers' financial survival during and following that period, can be offered as contributing to the reversal of the current trend.

There was a significant rise (17.5%) in the number of jockeys licensed vs. last 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 Equine Influenza-enforced shutdown of the previous season.

The increase in the number of locally-based jockeys was still quite significant though at 5.7% or 163 vs. 150. However, it would appear that the number of jockeys registered in the 07/08 season was an anomaly when compared to this and previous seasons (06/07 – 158; 05/06 – 162).

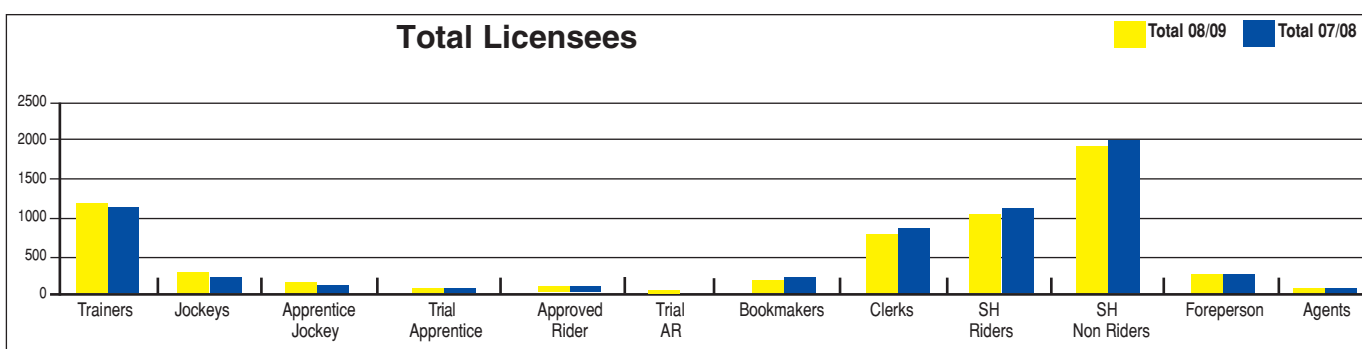
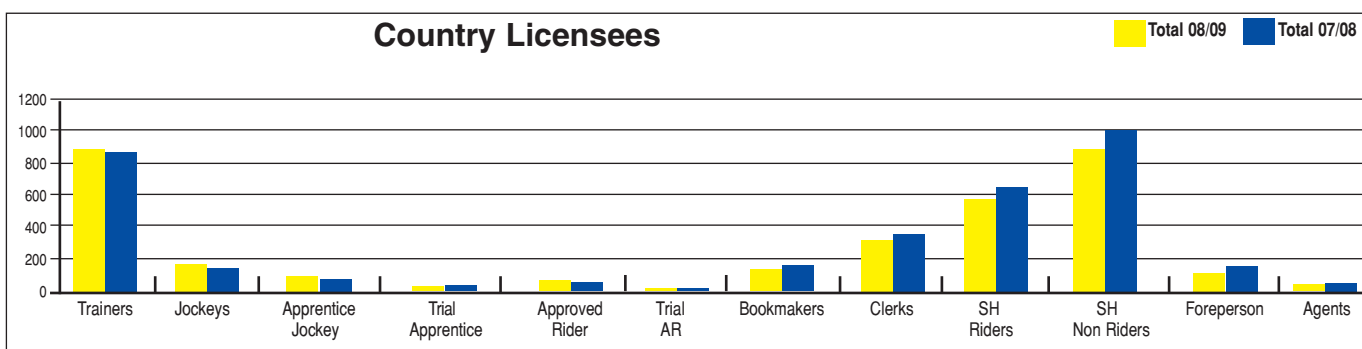
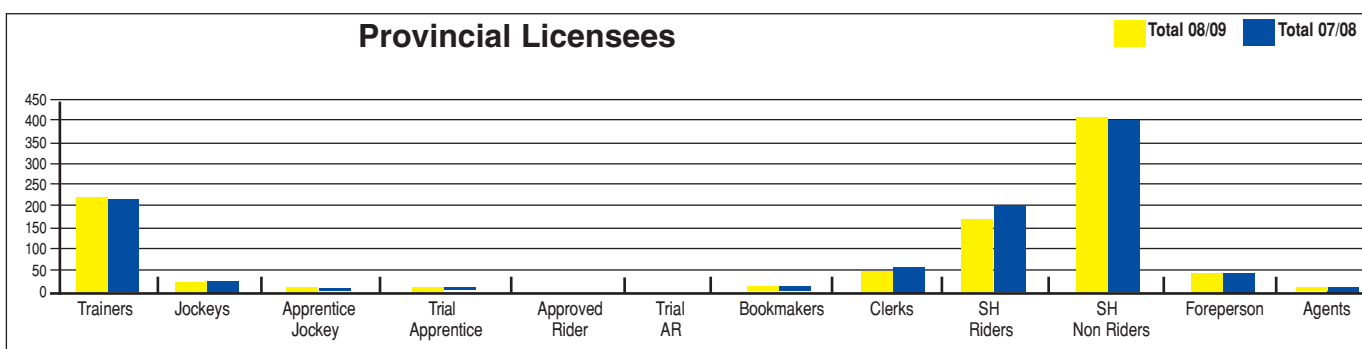
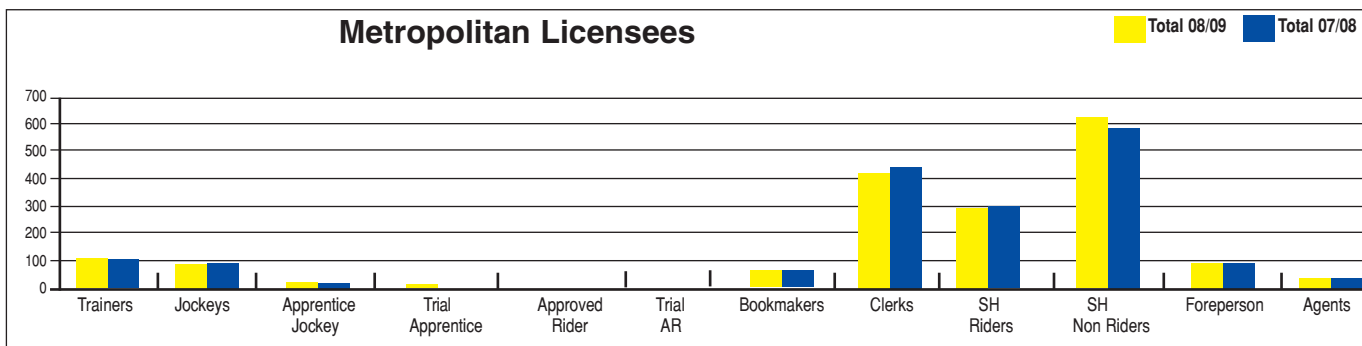
## LICENSING STATISTICS – FINAL 2008/09 vs. 2007/08

	Metropolitan		Provincial		Country		Total	
	Total 08/09	Total 07/08	Total 08/09	Total 07/08	Total 08/09	Total 07/08	Total 08/09	Total 07/08
Trainers	111	108	222	218	860	850	1193	1176
Jockeys	89	86	28	26	171	133	288	245
Apprentices	20	19	9	9	86	85	115	113
Trial App	3	1	4	2	20	17	27	20
App Riders	-	-	-	-	49	37	49	37
Trial AR	-	-	-	-	11	8	11	8
Bookmakers	61	61	9	10	143	150	213	221
BM Clerks*	418	426	49	56	314	329	781	811
SH Riders*	289	293	172	200	581	635	1042	1128
SH Non TW*	623	596	412	401	882	995	1917	1992
Foreperson*	94	88	49	44	141	152	284	284
Rider Agents	23	21	5	5	18	19	46	45

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 – 163 (07/08 - 150); Apprentices – 70 (07/08 - 69)

\* Licences for forepersons, stablehands and bookmakers clerks now expire on 31st October each season. As final numbers for these categories will not be established until 31/10/2009, the above represents those registered as at 30/06/09. A direct comparison cannot be made between seasons as the change in expiry date commenced on 31/10/2008, meaning the 08/09 season represents 8 months vs. 07/08 season's 12 months. All other categories represent final figures





## HANDICAPPING

The Racing NSW Handicapping Department is responsible for the issuing of weights for the 55,000+ starters that race in NSW (and ACT) each season.

Racing NSW Handicappers work as a panel to provide the final assessment for each horse – metropolitan, provincial and country. Three Senior Handicappers head the Panel: Colin Nickson, Brett Scelly and Damien Hay, together with Handicapper Ben Dunn and cadet Shane Cuthbert.

The Senior Handicappers supervise the process to ensure the handicapping service is of a high standard. New handicapping panel members work with and under the supervision of the Senior Handicappers assessing country races before graduating to provincial and metropolitan events.

In a significant change for the department, the implementation of Benchmark Handicapping to replace Ratings Handicapping began with a review period in early 2009, and a final release date set for 1st October.

The Handicapping Panel has reviewed its processes to prepare for the transition; a significant change when compared to the more traditional methods. The three-step Benchmark approach endorsed by Racing NSW will provide the Handicappers with superior information and analytical tools to provide fair assessment of all horses across a single number line and against the entire NSW horse population.

The three-stage Benchmark process was decided with primary focus on Racing NSW Handicappers having the final determination for the weight released for each horse:-

- i) The merit-based assessment begins with a mathematical (computer-based) calculation from proprietary software developed by Racing & Sports Pty Ltd under contract to Racing NSW. The computation takes into account an exhaustive list of relevant factors such as population averages over multiple years, race quality, recent and historical individual performances, age and sex allowances, head-to-head comparisons, form cycle, track grading and race conditions.
- ii) The computer ranking is then internally reviewed by experienced form analysts at Racing and Sports Pty Ltd who then provide Racing NSW a recommendation within 48 hours of each horse running.
- iii) Finally, the Racing NSW Handicapping Panel reviews the background to the recommendation, the race film and other race data and then determines and publishes the updated benchmark figure for each horse.

This process ensures that the Racing NSW Handicapping Panel, operating under a strict Code of Conduct, remains solely responsible for the final benchmark (and consequently the weight) of each horse.

## REGISTRATION

The Registrar of Racehorses (ROR) is a division of Racing Information Services Australia Pty Ltd (RISA), and operates from in the Racing NSW offices in Sydney's CBD.

Whilst it is the responsibility of this body to identify, record, name and register thoroughbred horses for racing in Australia, it is the responsibility of the principal racing authorities in each State to record transfers of horse ownership, lease and syndicate applications and to register racing colours.

In NSW, these functions are managed by the Racing NSW Regulatory Department.

## YEAR IN REVIEW

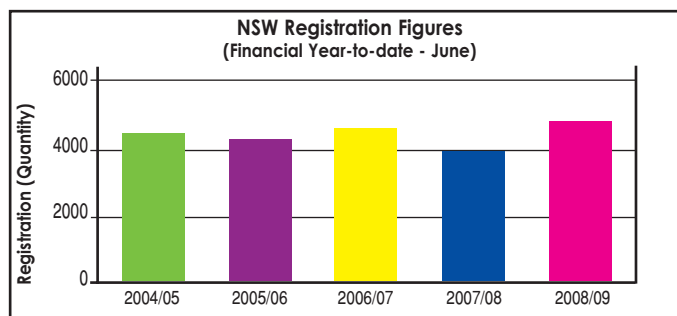
### HORSE REGISTRATIONS – NSW

By the end of the 2008/09 financial year, ROR had recorded 14,276 horse registrations, of which NSW contributed 4,831.

Whilst the number of horses registered this season represents a 22% increase in the number of horses registered during 2007/08 (3,959), the Equine Influenza outbreak which occurred in August 2007 undoubtedly had a significant effect on the number of horses registered that year.

It is pleasing to report (as evidenced by the graph below) that the number the of horses registered in NSW has returned to pre 2007-08 figures and it would appear that owners' confidence in the industry has returned.

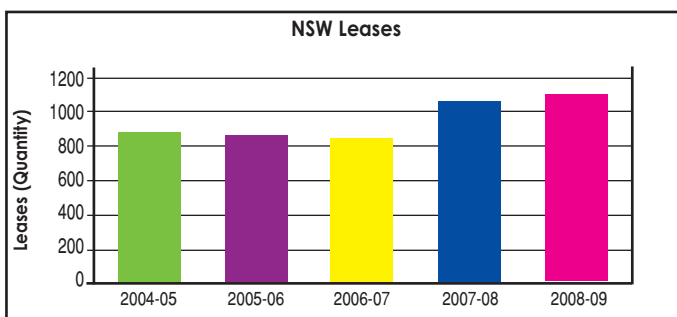
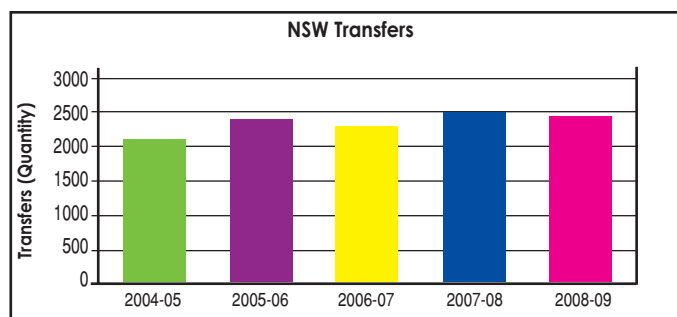
This would also appear to provide evidence that the financial support packages negotiated by Racing NSW's Chief Executive on behalf of industry participants during this period, have had significant long-term benefits to the racing industry in NSW.

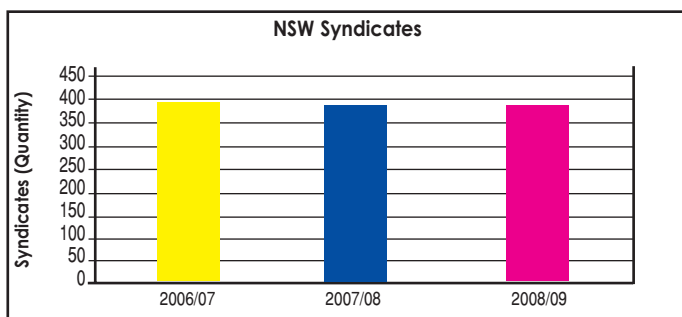


### TRANSFERS/ LEASES/ SYNDICATES - NSW

The Regulatory Department recorded 2,400 transfers of ownership, processed 1078 leases and registered 384 syndicates during the 2008/09 financial year.

As evidenced in the following graphs, the numbers in these categories remain fairly consistent with the numbers recorded during previous seasons.





## RACING COLOURS – NSW

Racing NSW registered 249 new sets of racing colours during the 2008/09 financial year, which represents a 13.6% increase on the number of new registrations recorded in the previous season. Whilst we still remain strict on colour combinations to ensure exclusivity, it is noted that the option of owners to include a wider range of symbols and logos on silks is becoming increasingly popular.

## REGISTERED NSW SYNDICATE PROMOTERS AND AUTHORISED REPRESENTATIVES

Racing NSW continues to act in its appointed role as Australian Securities Investment Commission lead regulator for the syndication of racehorses in NSW.

There were 16 Approved Promoters (2 new during the period) and 6 Authorised Representatives (1 removed and 1 did not renew from the previous financial year).

There were a total of 90 promotions in the 2008/09 financial year compared to 77 in the previous financial year. Included was an increase in the number of lower priced horses with more syndications having a purchase price of less than \$10,000 per 10% share during 2008/09.

There were fewer horses purchased for syndication above \$100,000 in the 2008/09 financial year compared to 2007/08.

### Syndication prices based on 10% shares

2008/09 Price Range	2008/09 Number	2007/08 Number
< \$10,000	52	41
> \$10,000	38	36

### Syndication Horse purchase price

2008/09 Price Range	2008/09 Number	2007/08 Number
< \$10,000	3	1
\$10,000 to \$29,999	17	7
\$30,000 to \$59,000	23	22
\$60,000 to \$99,000	22	15
\$100,000 +	25	32







**Ray Murrphy**  
General Manager Integrity - Chairman of Stewards

## STEWARDS' DEPARTMENT FUNCTIONS

The activities of 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;
- Conducting of sampling of riders and stable employees for banned substances;
- Regulating and investigating wagering activities, and
- Investigating the use of illegal substances.

## PERSONNEL CHANGES

### Departures

Steve Railton – to Hong Kong Jockey Club  
Allan Reardon – to Racing Victoria Ltd  
Bill Fanning – to Greyhound Racing NSW  
Tim Saladine – to Tasmania

### Appointments

Greg Rudolph – Deputy Chairman of Stewards (Racing), Racing NSW  
Tom Moxon – Metropolitan Stipendiary Steward  
Michael Costa – Metropolitan Stipendiary Steward  
Craig Pringle – Chief Steward, NRRA  
Sam Woolaston – Deputy Chief Steward, NRRA  
Troy Cameron – Deputy Chief Steward, SDRA  
Danny Greer – Deputy Chief Steward, H&NWRA  
Brett Day – Stipendiary Steward, CDRA and WRA

In addition, in January 2009 Victoria Toy, Executive Assistant to the Stewards Panel, took up a position as Operations Manager with Tamworth Jockey Club and her position with the Stewards Panel was filled by Ms Joanne Murphy.

## STEWARDS INQUIRIES

- During the 2008/09 year stewards presided over a broad range of inquires involving offences under the Rules of Racing including:-
  - 137(a) – Careless riding: 280 suspensions of licence
  - 137(b) – Failure to ride horse out: 6 suspensions, 17 fines
  - 175(a) – Misconduct/ Improper conduct: 4 suspensions/disqualifications, 6 fines

- By delegation of the Board, stewards conducted a 'Show Cause' hearing whereby a registered owner was issued with a warning off notice,
- A commission agent was disqualified for 12 months for failure to provide information, as requested by stewards.

## DRUG TESTING

This year's sampling figures show a significant increase over the 2007/08 figure whereby race fixtures were badly affected by the Equine Influenza outbreak.

A total of 12,237 samples were collected for analysis with an overall industry ratio of samples to starters of 1:4.48. In the metropolitan area the ratio was 1:1.90.

In addition, new strategies were employed with a record number of out of competition samples being collected across NSW to complement the ARFL acquisition of more sensitive testing equipment for erythropoietin (EPO).

In total, 13 positive swabs were dealt with by stewards involving penalties to trainers, plus one stable foreman of disqualification/suspensions (up to 12 months) and fines (up to \$15,000).

In addition, rider and stablehand testing was conducted across a broad spectrum of race meetings, trials, trackwork and stable visits. This involved breath and urine sampling for a range of banned substances with 11 offences for riders and seven for non-riders detected and penalties of suspension of licence handed down in all cases.

In licensee swab cases, emphasis was placed on rehabilitation and education with access to professional counselling provided and encouragement in the form of reduction in penalty being offered.

## CONFERENCES AND TRIBUNALS

Ray Murrphy, as the Chairman of the National Chairmen of Stewards Advisory Group, represented the national stewards at Australian Racing Board and Integrity and Welfare Executive Committee level.

In addition, Mr Murrphy represented Racing NSW at NCOS conferences and participated in the International Stewards Forum at the Asian Racing Federation Conference, Tokyo.

## NEW DEVELOPMENTS

The 2008/09 season saw the introduction of a number of innovations in the stewards' field including:-

- Training partnerships with four partnerships being approved in the first year;
- ARID reporting systems facilitating the accurate collation of all raceday horse injury/incidents to provide a national racing database;
- Price Assessing Terminals – roll out to NSW country regions of PAT's to facilitate the accuracy and timeliness of collating bookmakers' prices for the Australian Prices Network;
- Marker Pegs – for the first time three race meetings were conducted around marker pegs in NSW commencing with the Harden Picnics on Saturday, 22nd November 2008;
- Communications – stewards have introduced two new avenues of provision of information in group email media release and 'twitter';
- Racing in hot weather – for the first time in Australian racing, Racing NSW developed and implemented protocols for the conduct of racing in hot weather incorporating both welfare of horses and the welfare of riders;

- Barrier management – a new Racing NSW Barrier Management Policy was developed to provide a uniform framework for barrier management and benchmark a standard of starting practices across all NSW tracks;
- Stewards training – the Racing NSW Training Department is now accredited to deliver stewards training for the qualification of Certificate 3 – Stewards;
- Gear approvals – nasal strips were added to the national gear list, and
- Microchip scanners – new advanced microchip scanners were rolled out state-wide allowing a more reliable horse identification system.

## OTHER ACTIVITIES

World Youth Day – stewards were closely involved in the process of the management of training activities during the handover of Royal Randwick Racecourse to World Youth Day authorities and relocation of training operations to Warwick Farm. The resumption of training and racing at Royal Randwick Racecourse was also overseen by the stewards.

Official trials – stewards for the first time in NSW approved the conduct of official trials on synthetic track surfaces at Royal Randwick and Broadmeadow Racecourses.

Track transfer – on Saturday, 20th June 2009, the scheduled races at Royal Randwick Racecourse were able to continue in appalling wet weather conditions when the meeting was transferred from the course proper to the Kensington all weather circuit after three races.

## LIAISONS AND 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
- NSW Trainers Association
- 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 and Welfare Advisory Group
- Combined Racing Codes Committee
- Licensing Enforcement Agency
- National Jockey Safety Review Committee
- Australian Racecourse Managers Association
- Interstate and Overseas Principal Racing Authorities
- ARB Medical Officer
- Australian Jockeys' Association





**Dr Craig Suann**  
Senior Official Veterinarian

**ROLE OF THE RACING NSW VETERINARY DEPARTMENT**

- To 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 and improving 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 inquiries and to Appeals and other hearings for all three racing codes in the State, and
- Safeguard the overall health and welfare of horses involved in thoroughbred racing in NSW.

**KEY OPERATIONAL ACTIVITIES AND ACHIEVEMENTS**

- Following the conclusion of the Equine Influenza (EI) vaccination program for NSW thoroughbreds co-ordinated by Racing NSW as part of the response to the 2007 EI outbreak, and with the expiry of the emergency dealings for the use of the ProteqFlu vaccine, we facilitated the compulsory recall of all Racing NSW-issued ProteqFlu vaccine stocks held by Stewards and veterinarians around the State;
- Attended the National EI Summit held in Sydney on 25th September 2008, called to consider strategies to a future incursion of EI, including an ongoing vaccination program;
- Facilitated a successful audit of the Racing NSW EI vaccination program conducted by officials from the Office of the Gene Technology Regulator (OGTR);
- Represented Racing NSW and presented the Racing NSW perspective at the "Eradicating Equine Influenza in NSW" symposium organised by the NSW Department of Primary Industries held on 16th December 2008;
- Introduced the "ARID" horse incident/examination report and database system for raceday and barrier trial horse incidents and injuries. This involved the preparation and distribution of guidelines for official raceday veterinarians and Stewards on the use of the report forms. The reporting program was subsequently extended to include serious trackwork incidents and injuries. The Veterinary Department was responsible for entry of the information collected on to the national Sirius database;
- Continued the ongoing approval process for new veterinarians applying to officiate at country race meetings, including those attending non-TAB meetings, and updated the document 'A Guide for Official Racing Veterinarians in NSW';
- Monitored sample storage and transportation procedures

between racetracks and the Australian Racing Forensic Laboratory (ARFL) 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 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 utilised by Racing NSW;
- Assisted Stewards in the development of the Racing NSW 'Racing in Hot Weather Policy' which is designed to assist in the monitoring of ambient conditions during hot weather and 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;
- Collaborated with ARFL on routine and strategic drug control issues;
- Represented the Australian Racing Board at a meeting of the Australian Animal Welfare Strategy Advisory Group in September 2008,
- As Chairman of the Australian Racing Board's National Equine Integrity & Welfare Advisory Group (NEIWAG), progressed the matters of:-
  - New approaches to dealing with the analysis and reporting of therapeutic substances,
  - New research into therapeutic drug detection, facilitated through the RIRDC-funded Equine Therapeutics Research Australia multi-centre project,
  - The approval of the use of 'nasal strips',
  - The development of an Australian Rule of Racing (AR) requiring the mandatory recording of treatments of horses in racing stables,
  - The development of a policy regarding the return to racing of horses diagnosed with repeated episodes of cardiac arrhythmia,
  - A review of issues, including current pre-race restrictions, regarding the use of shock-wave therapy,
  - The formulation of a list of 'notifiable diseases and conditions' for inclusion in AR.64K (the 'bio security rule'),
  - The introduction of a new test for the detection of hydrocortisone administration to horses;
- As one of two international veterinary members on the Advisory Council on Prohibited Substances to the International Federation of Horseracing Authorities, attended meetings of the Advisory Council convened during the 17th International Conference of Racing Analysts and Veterinarians held in October 2008 and during the US Racing Commissioners International Conference in April 2009. Matters considered by the Advisory Council included:-
  - New approaches to the testing for therapeutic substances, including "reporting levels" for a defined group of therapeutic substances and more reliable detection periods, with a view to international harmonisation of same,
  - The proposed new absolute estrane threshold for the detection of the anabolic steroid nandrolone in male horses,
  - Retrospective testing of stored samples,
  - Revised guidelines for referee analysis,
  - Revision of the ILAC-G7 laboratory standards for accreditation purposes,
  - A proposed international research data base;
- Attended the 17th International Conference of Racing





Analysts and Veterinarians, co-presenting a number of scientific papers, and chairing the opening session dealing with TCO<sub>2</sub> testing.

Other topics covered during the Conference were:-

- Innovative new drug testing strategies,
- Protein-based drugs (eg, EPO, growth hormone),
- Horse welfare issues,
- Recent developments in pharmaceutical medicines and their impact on sports and racing,
- Use of plasma for testing for anabolic steroids in the US,
- Injury prevention, injury reporting and data collection and management,
- Injury management,
- Infectious diseases, including the Australian Equine Influenza experience,
- Intelligence on regional drug use/abuse,
- Update on advances in exercise physiology,
- Routine use of non-steroidal drugs post-race as an aid or hindrance to recovery, and
- Metabolic heat syndrome in racehorses.

## **ANIMAL CARE AND ETHICS COMMITTEE (ACEC)**

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 Australian Racing Forensic Laboratory (ARFL).

The Committee is chaired by Racing NSW Chief Executive, Mr Peter V'landys, and its external members are Mr Tony Gregory (Category C member), Mr John Muir (Category D member), and Ms Adrienne Clark (horse carer). Category A member is 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 two research proposals during the reporting period. The first proposal facilitates ongoing drug administration trials that would assist the Laboratory in improving its drug testing capabilities. The second proposal would permit a study specifically examining the equine metabolism of a novel anabolic steroid.

It has been an honour to have been elected the inaugural Chairman of RICG and it has been gratifying to see the co-operation and enthusiasm of all the members of RICG to the task of assisting Racing NSW in their administration of racing in this State.

I place on record my thanks for the work and dedication of my fellow RICG members and to Brian Judd as our Secretary.

On behalf of RICG I thank the Chairman and members of Racing NSW and CEO Peter V'landys for their assistance in our first 6 months of operation.

M T Kenny  
**Chairman**

## **THE INTEGRITY ASSURANCE COMMITTEE**

Racing NSW, pursuant to Section 23 of the Thoroughbred Racing Act 1996, 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 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;
- 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 departments.

The Committee reports to the Board after the review.

## **Report by RICG to Racing NSW for the Racing NSW Annual Report**

The Racing Industry Consultation Group or RICG is a committee established under the Thoroughbred Racing Amendment Act 2008 and has the function under that Act to consult with and make recommendations to Racing NSW on matters concerning horse racing in the State.

Membership is made up of one representative from each of Australian Jockey Club, Sydney Turf Club, Unions NSW, Provincial Association of NSW, Racing NSW Country, an eligible industry body to represent thoroughbred racehorse owners which is the NSW Racehorse Owners Association, an eligible industry body to represent breeders of thoroughbred racehorses which is NSW Thoroughbred Breeders Association, an eligible industry body to represent the interests of licensed trainers which is the NSW Trainers Association, an eligible industry body to represent the interests of licensed jockeys and apprentice jockeys which is the NSW Jockeys Association.

RICG has met monthly since its first meeting on 20 January 2009 and has conducted 6 meetings to the end of June 2009. RICG met with the members of Racing NSW at its first meeting on 20 January 2009 and has met with the Chief Executive of Racing NSW at four meetings to 30 June 2009.

Since its inception RICG has been active in its consideration of and recommendations to Racing NSW on matters of significance within the NSW racing industry.

RICG has made submissions or recommendations on the following issues to Racing NSW:

- Programming and handicapping
- Barrier management policy
- Minimum standards for race clubs
- Hot weather policy
- National Jockeys Fund and Jockeys Career Benefit Fund
- Race Fields Legislation
- BOBS Review
- Merger of STC and AJC, Gosford and Wyong

More recently RICG made representation to Racing NSW and the Australian Racing Board committee on the use of the whip by jockeys. RICG is currently working on preparing a schedule of critical issues for submission to Racing NSW for input to the Strategic Plan for the NSW racing industry.



**Andrew Vadasz**  
Laboratory Director

## Australian Racing Forensic Laboratory (ARFL)

### FUNCTION AND ACCREDITATION

The Australian Racing Forensic Laboratory (ARFL) serves Racing NSW and other clients through the provision of sampling kits, the analysis of both human and animal biological samples for prohibited substances, and participation in research to broaden the scope and improve the efficiency of drug detection techniques.

ARFL is accredited by the National Association of Testing Authorities to the ISO/IEC 17025 standard, and also by the Association of Official Racing Chemists. It is one of only five laboratories in the world accredited to analyse samples for the Federation Equestre Internationale (FEI), the others being in the United Kingdom, France, Hong Kong and the United States.

### SAMPLING KITS

Sampling kits for urine and blood collection are distributed to all racing centres in New South Wales and to other clients around Australia. The kits involve several layers of security and are uniquely numbered to enable tracking to ensure that all kits are accounted for.

Kits are tracked by the Laboratory Information Management System from the time they leave ARFL to receipt upon return, then through the analytical and reporting process to storage and eventual sample disposal. Non-compliance with sampling protocols is monitored and reported to the stewards for investigation.

### ANALYSIS OF SAMPLES

Over 20,000 animal samples are analysed annually with only a very small percentage found to contain prohibited substances (Table 1). Negative samples are generally reported within 10 working days of receipt at ARFL. Positive findings are confirmed by referee analysis at another accredited racing laboratory.

**Table 1 - Animal sample statistics 1st July 2008 to 30th June 2009**

	Total Urine	Total Blood	TCO <sub>2</sub> tests	EPO tests	Prohibited Substances Detected
Metro T'breeds NSW	1,851	3,084	2,997	-	5
Provincial T'breeds NSW	1,321	1,230	1,123	-	1
Country T'breeds NSW	3,758	1,272	931	-	10
Others	5,283	2,403	1,671	-	58
<b>SUB TOTAL</b>	<b>12,213</b>	<b>7,989</b>	<b>6,722</b>		<b>74</b>
Out of Competition T'breeds				568	0
Out of Competition Others	-	-	-	-	0
<b>TOTAL</b>	<b>12,213</b>	<b>7,989</b>	<b>6,722</b>	<b>568</b>	<b>74</b>

Human urine samples collected from jockeys, track riders and stablehands are also tested for banned substances. Approximately 9% of these samples were found to contain banned substances (Table 2).

This period also saw the implementation of Australian Rules AR.81B and AR.81C to replace the AS/NZS 4308 workplace drug testing standard for human samples, leading to expanded coverage of substances of particular concern for the thoroughbred racing industry.

**Table 2 - Human samples statistics 1st July 2008 to 30th June 2009**

Human Samples	Urine	Banned Substances Detected
Metropolitan NSW	97	8
Provincial NSW	55	8
Country NSW	143	10
Other Racing NSW	41	7
Other clients	40	3
<b>TOTAL</b>	<b>376</b>	<b>36</b>

ARFL also performs referee analyses to confirm the findings of other Australian and international racing laboratories. From 1st July 2008 to 30th June 2009 this totalled 34 analyses.

### RESEARCH

ARFL conducts research both internally and in collaboration with universities and other institutions into the detection of new drugs and the improvement of analytical methodology.

Another important research focus is the generation of data relating to the equine metabolism and excretion of therapeutic substances to assist trainers and veterinarians in avoiding drug positives following legitimate animal medication.

To this end, ARFL is heavily involved in the Equine Therapeutics Research Australia (ETRA) project involving all four Australian racing laboratories and three Australian universities with major funding from the Rural Industries Research and Development Corporation (RIRDC) and State thoroughbred racing regulators.

ARFL research of wider significance is published in peer reviewed journals or conference proceedings. ARFL maintains a prominent research presence at the biannual International Conference of Racing Analysts and Veterinarians (ICRAV), which is the premier international venue for the exchange of new ideas and technology in animal sports drug testing.

In October 2008, ARFL representatives attended the 17th ICRAV meeting in Antalya, Turkey.

### QUALITY ASSURANCE

ARFL holds Australian and international accreditation and accordingly participates in internal and external quality assurance programs to monitor its performance.

Quality control samples are analysed as part of every sample batch to ensure proper operation, and all analytical data is checked by two analysts to minimise the chance of human error.

Procedures are also regularly assessed through the blind analysis of spiked samples or samples obtained from drug administration trials. Several times a year, accredited racing laboratories in Australia, New Zealand and the United Kingdom exchange batches of anonymous cleared samples to monitor the possibility of prohibited substances failing to be detected.

### ADDITIONAL CLIENTS

ARFL's major external client during the July 2008-June 2009 period was the Greyhound & Harness Racing Regulatory Authority, which involved the testing of all New South Wales harness and greyhound racing samples.

As an accredited FEI Reference Laboratory, ARFL also receives FEI samples from across South-East Asia as well as all samples from events held by the Equestrian Federation of Australia.

Other clients include Darwin Turf Club, Alice Springs Turf Club, Royal Agricultural Society, Australian Endurance Riders Association and Show Horse Council of Australia. In addition, ARFL's capabilities are regularly utilised by external clients doing pharmacokinetic studies of drugs in various animal species.



**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, much of the focus applies to new riders and future apprentice jockeys.

Both on-the-job and off-the-job training forms an integral part of a participant's future qualifications. Objectives of the Industry Training Department include:-

- Assisting 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 apprentice race series (Racing NSW's Rising Star Apprentice 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 promote industry careers and training to the broader community.

### TALENT IDENTIFICATION PROGRAM

Racing NSW ran several four-week prevocational courses throughout the year, graduating over 60 students into employment as semi-skilled workers at Certificate II Stablehand Trainees and continuing to deliver training and increase their skill levels.

The program was mostly made up of students who, before signing up, had insufficient skills to successfully find employment as a Stablehand or Trackwork Rider.

### PROMOTIONS AND RECRUITMENT

Increasing the profile of careers in racing with Racing NSW this year entailed representation at 13 careers markets (each market attracting between 2,000 and 7,000 students) six pony club camps, and eight high schools.



### RISING STAR SERIES

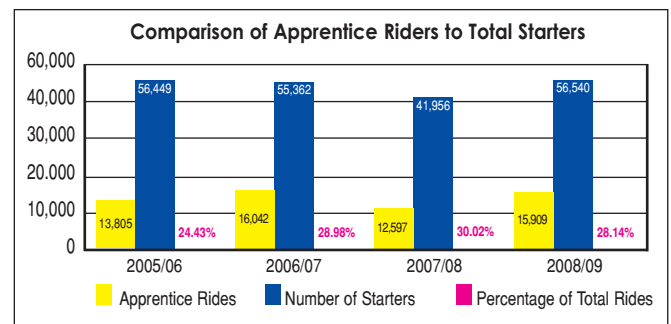
The ninth consecutive staging of the Rising Star Series was held between August and July with 55 heats held. The final was held at Warwick Farm with Chantelle Johnson becoming the first female apprentice to win the series.

### APPRENTICE WINNING RIDES

	2004/05	2005/06	2006/07	2007/08	2008/09
Metropolitan	120	147	249	128	178
Provincial	140	179	218	145	190
Country	1089	879	1008	726	1081
<b>Total Winning Rides</b>	<b>1349</b>	<b>1205</b>	<b>1475</b>	<b>999</b>	<b>1449</b>

### APPRENTICE RIDES

The graph below provides the overall apprentice ride summary for the 05/06, 06/07 and 07/08 seasons in comparison with that of the 08/09 season.



Over the last 12 months NSW apprentices have been showing continued improvement. 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

	2004/05	2005/06	2006/07	2007/08	2008/09
Races	71	70	72	77	83
Trials	13	12	16	17	20
<b>Total</b>	<b>84</b>	<b>82</b>	<b>88</b>	<b>94</b>	<b>103</b>

At the close of the 2008/09 season there were 83 NSW-indentured apprentice jockeys and 20 trialling riders in NSW. In addition, there were 80 Certificate II Stablehand, 28 Certificate III Advanced Stablehand and 43 Track Rider Trainees.

Apprentice numbers have shown steady growth over the last three years and defied a national trend. This can be attributed to the Training staff being on call to counsel students when needed and additional opportunities due to increased 'apprentice only' races.

### INDIGENOUS EMPLOYMENT PROGRAM

Racing NSW is committed to providing training and employment opportunities to Aboriginal people within the racing industry.

During 2008/09 Racing NSW delivered Certificate I entry level training to a group of indigenous students: 18 students successfully completed the course and were offered Certificate II Traineeships throughout NSW.

Racing NSW has appointed Jamie Whitney as an Indigenous Mentor to assist students to overcome any issues.





**Victoria Samba**  
General Manager - Marketing & Public Relations

Marketing and Public Relations is a new department established in mid-2009, incorporating part of the previous Racing and Commercial Department (publications, media, BOBS) and Country Racing's marketing arm.

An important relationship for marketing is the partnership between Racing NSW and Events NSW, with the Autumn Racing Carnival in Sydney being regarded as one of the major anchor events. Events NSW provides assistance to Racing NSW and in turn the racing industry to enable Racing NSW to promote Sydney as a preferred destination, maximising the economic, strategic and community benefits of the Autumn Racing Carnival.

Marketing and Public Relations produces the Annual Report as well as the monthly Racing NSW Magazine. The magazine is subscribed to by racing participants as well as the general public and racing enthusiasts.

The public relations team responds to media enquiries and generates press releases which are made available on the Racing NSW website and to various news organisations.

Other responsibilities of Marketing include the running of the Punters Club in conjunction with the Daily Telegraph, Sunday Telegraph and Tabcorp. The department also maintains the Racing NSW website and assists in the administration and marketing of the popular BOBS and BOBS Extra schemes.

The General Manager is a member of and regular contributor to the Asian Racing Federation Youth League's (ARFYL). The group's aim is to attract a younger set of owners, trainers, breeders and punters to the worldwide racing industry. The ARFYL will be presenting at the 2010 Asian Racing Conference in Sydney. Marketing is assisting in the organisation of this conference.

Marketing has some exciting new initiatives including the Racing NSW Loyalty Program for owners and punters. Racing NSW has accepted a proposal from an experienced loyalty programme provider and they are in the process of liaising with potential partners. The scheme is expected to be launched late 2009.

Another initiative is Horse Partnerships and Syndicates where horses will be approved by Racing NSW before shares are offered for sale. Racing NSW endeavours to increase the number of owners and racehorses by providing an affordable and easy way to become an owner. The scheme will assist trainers and breeders in finding owners. Racing NSW will run the administrative side and will maintain regular communication with owners, providing them with a positive experience both on and off the racecourse.

The primary objective of the Marketing and Public Relations Department is to enhance the profile of the thoroughbred horse racing industry and to preserve a positive image of Racing NSW.







**John Gatfield**  
Executive Officer - Breeder Owner Bonus Scheme (BOBS)

## SEASON HIGHLIGHTS

BOBS has been operating successfully since 2002 and in that time has paid out \$38,756,700 in bonus prizemoney, making racehorse ownership more affordable. BOBS enjoyed the following highlights during the 2008/09 season:-

- Almost \$8.5 million was paid out including \$2.27 million in the unique Double-Up scheme which gives owners an incentive to re-invest in the NSW racing and breeding industry;
- The total number of bonuses won was 1056 – eclipsing the previous record of 756 in 2006/07;
- The top 15 sires by value of bonuses represent 7 different studs;
- Stallion nominations have closed for BOBS 2012. Studs have again supported BOBS strongly with a record-equalling 160 stallions listed;
- Despite the economic downturn and the resulting lower returns to horse breeders, the number of two-year-old nominations for BOBS remained high at approximately 2600, and
- The BOBS scheme has been extended to boost the strength of middle-distance racing and prolong horses' racing careers. BOBS Extra will pay bonuses when horses win over 1600-metres and longer, as four-year-olds and older. One third of eligible two-year-olds have been nominated for BOBS Extra as well as for BOBS, promising more varied and interesting racing in the years to come.

## BOBS STATISTICS FOR THE 2008/09 SEASON

- There was little between the leading stallions by prizemoney, with Coolmore's Danehill Dancer (Ire) and Choisir only just ahead of Darley's Lonhro. For the second year in succession Beautiful Crown (USA), which stands at Patinack Farm near Scone, had the highest number of individual bonus wins – 43 after topping the table a year earlier with 45;
- Of the top 15 stallions, eight were bred overseas and seven in Australia

### Season's Top BOBS Bonus-winning Sires by Value of Bonuses

Rank	Stallion	Stud	Bonus Wins	Value
1	Danehill Dancer (Ire)	Coolmore	32	\$350,000
2	Choisir	Coolmore	29	\$326,250
3	Lonhro	Darley	33	\$325,000
4	Redoute's Choice	Arrowfield Stud	34	\$270,000
5	More Than Ready (USA)	Vinery Stud	22	\$235,000
6	Encosta De Lago	Coolmore	25	\$220,000
7	Rock of Gibraltar (Ire)	Coolmore	21	\$220,000
8	Beautiful Crown (USA)	Patinack Farm	43	\$216,250



- The leading bonus-winning horse was Border Rebel, trained by Sue Grills at Tamworth and owned by Mrs V.A. Scott-Mason of Dorrigo. His seven BOBS wins were scored on five different racetracks: Tamworth, Scone, Muswellbrook, Rosehill Gardens and Canterbury Park. Congratulations to all winners, especially the top five bonus-winning horses and their owners listed below:-

### Season's Bonus Winning Horses by Value of Bonuses

Horse	Sire (Stud Farm)	No of Wins	Owners	Value
Border Rebel	Johannesburg (USA) / Coolmore	7	Scott-Mason, Mrs V	\$70,000
Rock Kingdom	Rock of Gibraltar (Ire) / Coolmore	5	Richards Mr S, Richards Mrs K, Peoples Mr C, Murumba Racing Synd, Footy Racing P/L Synd, DHK Investments P/L Synd, Goldbloom Mr R, Menyweather Mr R, Lindsay Mr J, McGrath Mr B	\$60,000
Rock Me Baby	Rock of Gibraltar (Ire) / Coolmore	3	Neasham Hayes P/L Synd	\$60,000
Virtedge	Flying Spur / Arrowfield Stud	4	Monks Mr M, Monks Mrs J, Kelly Mr J, Kelly Mr P, Kelly Mrs S, Heyblok Mr R, Heyblok Mrs M, Field Mr B, Zlotkowski Mr J	\$60,000
Angel's Breath	Tale of the Cat (USA) / Coolmore	3	Lee Mr C, Rahal Mr N, Andreachio Mr T, Lamond Mr D, Bunt Mr G, Brailey Ms	\$50,000

- The leading winner of BOBS bonuses as an owner was Sheikh Mohammed, who also topped the table in 2007/08.

### Season's Multiple BOBS Bonus-Winning Owners by Number of Bonuses

Owners	Bonuses	Value
Mohammed, Sheikh	72	\$685,000
Patinack Farm P/L Synd	12	\$95,000
Wallace Mr T, Wallace Mrs D, Wallace Mr J, Wallace Miss H, Perry Mr P, Collis Ms C	12	\$80,000
Gooree Pastoral Company Synd	10	\$90,000
White AO Mr G, White Mrs A, Invernien P/L Synd	9	\$95,000
Scott-Mason, Mrs V	8	\$75,000
Moraitis AM, Mr N	7	\$60,000
Worthington Mr R, Maclean-Worthington Mrs D, Smyth-Kirk Mr R, Smyth-Kirk Mrs D	7	\$40,000
Lootah, Hussain	6	\$55,000
French Mr E	6	\$30,000
Cojuangco Mr E	5	\$85,000



## NSW GROUP AND LISTED WINNERS - 2008/09

Group	Feature	Dist	Prize \$	Winner	Trainer
1	GEORGE MAIN STAKES	1600	400,000	Mentality	John Hawkes
1	EPSOM HCP	1600	600,000	Theseo	Gai Waterhouse
1	THE METROPOLITAN	2400	600,000	Newport	Paul Perry
1	SPRING CHAMPION STAKES	2000	400,000	Sousa	Peter Snowden
1	FLIGHT STAKES	1600	400,000	Samantha Miss	Kris Lees
1	CHIPPING NORTON STAKES	1600	300,000	Tuesday Joy	Gai Waterhouse
1	RANDWICK GUINEAS	1600	550,000	Metal Bender	Jack Denham
1	COOLMORE CLASSIC	1500	600,000	Typhoon Tracy	Peter Moody
1	RANVET STAKES	2000	400,000	Theseo	Gai Waterhouse
1	ROSEHILL GUINEAS	2000	500,000	Metal Bender	Jack Denham
1	GOLDEN SLIPPER STAKES	1200	3,500,000	Phelan Ready	B & J McLachlan
1	THE BMW	2400	2,250,000	Fiumicino	M, W & J Hawkes
1	GEORGE RYDER STAKES	1500	400,000	Vision And Power	Joseph Pride
1	QUEEN OF THE TURF STAKES	1500	400,000	Neroli	Peter Snowden
1	ARROWFIELD STAKES	2000	400,000	Purple	Peter Snowden
1	AJC AUSTRALIAN DERBY	2400	1,600,000	Roman Emperor	Bart Cummings
1	THE GALAXY	1100	350,000	Nicconi	David Hayes
1	DONCASTER HANDICAP	1600	2,000,000	Vision And Power	Joe Pride
1	AJC SIRE PRODUCE STAKES	1400	500,000	Manhattan Rain	Gai Waterhouse
1	T J SMITH STAKES	1200	500,000	Takeover Target	Joe Janiak
1	AJC OAKS	2400	500,000	Daffodil	Richard Collett
1	SYDNEY CUP	3200	700,000	Ista Kareem	Colin Little
1	QUEEN ELIZABETH STAKES	2000	500,000	Pompeii Ruler	Mick Price
1	CHAMPAGNE STAKES	1600	400,000	Onemorenomore	Jason Coyle
1	ALL AGED STAKES	1400	400,000	Danleigh	Chris Waller
2	PREMIERE STAKES	1200	150,000	Triple Honour	Chris Waller
2	WARWICK STAKES	1400	200,000	Racing To Win	John O'Shea
2	GOLDEN ROSE STAKES	1400	1,000,000	Duport	Anthony Cummings
2	CHELMSFORD STAKES	1600	200,000	Gallant Tess	David Payne
2	FURIOUS STAKES	1400	150,000	Samantha Miss	Kris Lees
2	THEO MARKS STAKES	1300	200,000	Hurried Choice	David Payne
2	HILL STAKES	1900	150,000	Fiumicino	John Hawkes
2	SHANNON STAKES	1500	150,000	Musket	Peter Snowden
2	TEA ROSE STAKES	1500	150,000	Samantha Miss	Kris Lees
2	STAN FOX STAKES	1400	200,000	Dreamscape	Gai Waterhouse
2	THE SHORTS	1100	175,000	Fritz's Princess	Kris Lees
2	ROMAN CONSUL STAKES	1200	150,000	Montana Flyer	Gai Waterhouse
2	VILLIERS STAKES	1600	200,000	Something Anything	Gary Portelli
2	EXPRESSWAY STAKES	1200	200,000	Burdekin Blues	Barry Baldwin
2	LIGHT FINGERS STAKES	1200	150,000	Rock Me Baby	David Payne
2	ROYAL SOVEREIGN STAKES	1200	150,000	Youthful Jack	Allan Denham
2	BREEDERS' CLASSIC	1200	150,000	Hot Danish	Les Briddle
2	APOLLO STAKES	1400	250,000	Tuesday Joy	Gai Waterhouse
2	SILVER SLIPPER STAKES	1100	200,000	Melito	Gerald Ryan
2	HOBARTVILLE STAKES	1400	200,000	Mic Mac	Greg Eurrell
2	SURROUND STAKES	1400	150,000	Portillo	Peter Snowden
2	CHALLENGE STAKES	1000	150,000	Olonana	John O'Shea
2	REISLING SLIPPER TRIAL	1200	300,000	More Joyous	Gai Waterhouse
2	TODMAN SLIPPER TRIAL	1200	300,000	Real Saga	J, M & W Hawkes
2	CANTERBURY STAKES	1300	150,000	All Silent	Grahame Begg
2	PHAR LAP STAKES	1500	150,000	Heart Of Dreams	Mick Price
2	AJAX STAKES	1500	150,000	Solo Flyer	Anthony Cummings
2	MAGIC NIGHT STAKES	1200	150,000	Indian Ocean	Tim Martin
2	PAGO PAGO STAKES	1200	150,000	Tickets	John O'Shea
2	TULLOCH STAKES	2000	150,000	Harris Tweed	M & B Baker
2	CHAIRMAN'S HANDICAP	2600	200,000	Divine Rebel	Michael Moroney
2	SAPPHIRE STAKES	1200	150,000	Court	Clarry Conners
2	EMANCIPATION STAKES	1600	150,000	Amberino	John Moloney
3	MISSILE STAKES	1100	125,000	Captain Bax	Kris Lees
3	SAN DOMENICO STAKES	1100	125,000	Duport	Anthony Cummings
3	THE RUN TO THE ROSES	1300	125,000	Desuetude	Peter Snowden
3	SILVER SHADOW STAKES	1200	125,000	Samantha Miss	Kris Lees
3	UP AND COMING STAKES	1200	125,000	Dreamscape	Gai Waterhouse
3	CONCORDE STAKES	1100	125,000	Typhoon Zed	Tim Martin
3	TRAMWAY HCP	1400	125,000	Bank Robber	Gai Waterhouse
3	KINGSTON TOWN STAKES	2000	125,000	Hurrah	Chris Waller
3	RESEARCH STAKES	1200	125,000	Judged	Joe Pride
3	SPRING STAKES	1600	175,000	Sousa	Peter Snowden
3	CAMERON HCP	1400	140,000	Raheeb	Anthony Cummings
3	NEWCASTLE CUP	2300	185,000	Bianca	Gai Waterhouse
3	GLOAMING STAKES	1800	250,000	Predatory Pricer	Paul Murray
3	COLIN STEPHEN QUALITY	2400	150,000	Get Up Jude	Diane Poidevin-Laine
3	BILL RITCHIE HANDICAP	1400	125,000	Judged	Joe Pride
3	CRAVEN PLATE	2000	175,000	Lorne Dancer	Gai Waterhouse
3	HAWKESBURY GOLD CUP	1600	125,000	Nuclear Sky	Jack Denham
3	SUMMER CUP	2400	150,000	Ready To Lift	Gerald Ryan
3	SOUTHERN CROSS STAKES	1200	125,000	Marchinski	Tracey Bartley
3	MILLIE FOX QLT STAKES	1300	125,000	Neroli	Peter Snowden
3	LIVERPOOL CITY CUP	1300	125,000	Judged	Joe Pride



## NSW GROUP AND LISTED WINNERS - 2008/09 (Continued)

Group	Feature	Dist	Prize \$	Winner	Trainer
3	KINDERGARTEN STAKES	1100	125,000	Wanted	John O'Shea
3	RANDWICK CITY STAKES	2000	125,000	Newport	Paul Perry
3	SKYLINE STAKES	1200	125,000	Manhattan Rain	Gai Waterhouse
3	SWEET EMBRACE STAKES	1200	125,000	Headway	Peter Moody
3	NEWCASTLE NEWMARKET HCP	1400	125,000	Solo Flyer	Anthony Cummings
3	STAR KINGDOM STAKES	1100	125,000	The Jackal	Paul St Vincent
3	BIRTHDAY CARD STAKES	1200	125,000	Gamble Me	Gai Waterhouse
3	ADRIAN KNOX QLTJ STAKES	2000	125,000	Miss Darcey	Anthony Cummings
3	SOUTH PACIFIC CLASSIC	1400	125,000	Fravashi	Peter Snowden
3	FRANK PACKER PLATE	2000	125,000	Yallingup	Guy Walter
Listed	SHOW COUNTY QUALITY HCP	1200	100,000	Bank Robber	Gai Waterhouse
Listed	TOY SHOW F-&M QLTJ HCP	1400	100,000	Kishkat	Gai Waterhouse
Listed	PREMIER'S CUP	1800	100,000	Red Lord	Anthony Cummings
Listed	SHERACO STAKES	1100	100,000	Hairy	David Payne
Listed	WYONG GOLD CUP	2100	150,000	Bianca	Gai Waterhouse
Listed	MING DYNASTY QUALITY HCP	1400	100,000	Predatory Pricer	Paul Murray
Listed	TIBBIE STAKES	1400	100,000	Miss Pageantry	Gwenda Markwell
Listed	HERITAGE STAKES	1200	120,000	Bhutane Dane	Gai Waterhouse
Listed	STARLIGHT STAKES	1100	100,000	My Vegas	Charlie Britt
Listed	REGINALD ALLEN QLTJ HCP	1400	100,000	Sara's Choice	Kevin Moses
Listed	DULCIFY 3YO QUALITY HCP	1800	100,000	Rhyno Chaser	Kevin Moses
Listed	THE NIVISON	1200	100,000	Jewelled Gate	Leanne Aspros
Listed	BREEDERS' PLATE	1000	100,000	Real Saga	John Hawkes
Listed	GIMCRACK STAKES	1000	100,000	Our Joan Of Arc	Clarry Conners
Listed	ANGST STAKES	1400	100,000	Neroli	Peter Snowden
Listed	CITY TATT'S CLUB CUP	2400	100,000	Lorne Dancer	Gai Waterhouse
Listed	CITY TATTS LIGHTNING HCP	1100	100,000	Keen Commander	Denise McGrath
Listed	BRIAN CROWLEY STAKES	1200	100,000	Northern Meteor	Gai Waterhouse
Listed	BELLE OF THE TURF STAKES	1600	100,000	Prima Nova	Anthony Cummings
Listed	YALUMBA CUP	1300	100,000	Blessus	Bart Cummings
Listed	CANBERRA CUP	2000	150,000	Blutigeroo	Colin Little
Listed	FESTIVAL STAKES	1500	100,000	Voice Commander	Nick Olive
Listed	MONA LISA STAKES	1350	100,000	Mary's Grace	Kylie Gavenlock
Listed	CHRISTMAS CUP	2400	100,000	Ready To Lift	Gerald Ryan
Listed	RAZOR SHARP HCP	1200	100,000	Rubinda	Greg Hickman
Listed	CARRINGTON STAKES	1100	100,000	Hairy	David Payne
Listed	TATTERSALLS CLUB CUP	2000	100,000	Tommifrancis	Gerald Ryan
Listed	FRANK UNDERWOOD CUP	2000	100,000	Tommifrancis	Gerald Ryan
Listed	AUSTRALIA DAY CUP	2400	100,000	Zavite	Anthony Cummings
Listed	CANTERBURY CLASSIC	1100	100,000	Gold Trail	Gary Portelli
Listed	CANONBURY STAKES	1100	100,000	Tickets	John O'Shea
Listed	WIDDEN STAKES	1100	100,000	Horizons	Gai Waterhouse
Listed	TRISCAY STAKES	1200	100,000	Madame Pedrille	Darren Smith
Listed	PARRAMATTA CUP	2000	100,000	Vision And Power	Joseph Pride
Listed	WIGGLE F-&M QUALITY HCP	1400	100,000	Hot Danish	Les Bridge
Listed	BLACK OPAL STAKES	1200	200,000	Delago Bolt	Gary Portelli
Listed	NATIONAL SPRINT	1400	100,000	Bacchanal Woman	Keith Dryden
Listed	ESKIMO PRINCE STAKES	1200	100,000	Bhutane Dane	Gai Waterhouse
Listed	ASPIRATION QUALITY	1600	100,000	Illuminates	Graeme Rogerson
Listed	WENONA GIRL HANDICAP	1200	100,000	Belong To Many	Barbara Joseph
Listed	SKY HIGH STAKES	1900	100,000	Keepin' The Dream	J & G Lee
Listed	KEITH F NOLAN CLASSIC	1600	150,000	Allez Wonder	Bart Cummings
Listed	DARBY MUNRO STAKES	1200	100,000	Centennial Park	David Payne
Listed	N E MANION QUALITY CUP	2400	100,000	Enzedex Eagle	Chris Waller
Listed	EPONA STAKES	1900	100,000	Divine Rebel	Michael Moroney
Listed	T L BAILLIEU HCP	1400	100,000	Onemorenomore	Jason Coyle
Listed	ROYAL PARMA STAKES	1400	100,000	Dao Dao	M, W & J Hawkes
Listed	NEVILLE SELLWOOD STAKES	2000	100,000	Ausbred King	Wade Slinkard
Listed	MAURICE McCARTEN STAKES	1200	100,000	Mount Verde	John Wenman
Listed	CARBINE CLUB STAKES	1600	110,000	Orca	Guy Walter
Listed	P J BELL HANDICAP	1200	110,000	Ortensia	Tony Noonan
Listed	FERNHILL HANDICAP	1550	110,000	Choistar	Michael Flanigan
Listed	HALL MARK STAKES	1150	110,000	Kroner	Bart Cummings
Listed	KEITH MACKAY HANDICAP	1150	110,000	Readyor	Jack Denham
Listed	JAPAN RACING ASSOC PLATE	2000	110,000	Prima Nova	Anthony Cummings
Listed	GOSFORD GUINEAS	1200	100,000	Aichi	Peter Snowden
Listed	JAMES H B CARR STAKES	1400	110,000	Silently	John O'Shea
Listed	WAGGA WAGGA GOLD CUP	2000	120,000	Macknuckle	Bernie Howlett
Listed	HAWKESBURY GUINEAS	1400	100,000	Related	Bart Cummings
Listed	DARK JEWEL CLASSIC	1400	110,000	Rio Osa	Peter Snowden
Listed	SCONE CUP	1600	110,000	Obvious Choice	Paul Messara
Listed	W J MCKELL CUP	2400	100,000	Ready To Lift	Gerald Ryan
Listed	JUNE STAKES	1100	100,000	Kroner	Bart Cummings
Listed	PACESETTER STAKES	1200	125,000	Strat's Flyer	Allan Denham
Listed	WINTER CUP	2400	100,000	Niwot	M, W & J Hawkes
Listed	CIVIC STAKES	1400	100,000	Hadaaf	Joseph Pride
Listed	RAMORNIE HANDICAP	1200	130,000	Battlefield	Paul Messara
Listed	GRAFTON CUP	2350	160,000	Castle Heights	Donna Logan
Listed	WINTER STAKES	1500	100,000	Strat's Flyer	Allan Denham





**Natalie Tipping**  
General Manager - Insurance

### WORKERS COMPENSATION

Racing NSW is a specialised insurer licensed under the provisions of the Workers Compensation Act 1987 ("the Act") to provide workers compensation insurance to certain employers (racing clubs and licensed trainers) in the NSW Thoroughbred Racing Industry.

Additionally, Racing NSW administers the run-off of claims under the former self insurance licence, which covered employees of Racing NSW prior to 30th June 1998.

The Racing NSW Insurance Fund ("the Fund") has been managed internally since 1st July 2006. All claims management, injury management, financial and administrative functions of the Fund are performed by an in-house team.

The object of the Fund is to provide affordable insurance to participants and deliver industry-specific claims, injury and risk management services to assist employers and injured workers in what is a unique and inherently dangerous industry.

The Fund's 2008/09 performance was heavily impacted by the Global Financial Crisis and an unusually high incidence of claims.

### IMPACT OF GLOBAL FINANCIAL CRISIS ("GFC")

The actuarial central estimate of Racing NSW's outstanding workers compensation claims liability as at 30th June 2009 is \$30.2 million (net of reinsurance recoveries and including an allowance for claims handling expenses).

The estimate of the outstanding claims liability includes an allowance for future inflation of claims payments (4.25% p.a.) and is discounted to allow for future investment income earned between the valuation date and expected payment date. In the past 12 months the relevant discount rate has dropped from 6.75% p.a. (at June 2008) to 5.7% p.a. (June 2009), meaning less discounting of future claim payments and a corresponding increase in liability.

The adverse financial experience of the Racing NSW Insurance Fund in the 2008/09 Financial Year mirrored that of workers compensation funds generally under the prevailing economic conditions.

In April 2009, WorkCover NSW announced that the State workers compensation fund had fallen from a surplus of \$625 million at June 2008 to a \$1.8 billion deficit at December 2008; a plunge of \$2.3 billion in just 6 months.

Self-insurers and other State Government managed Schemes similarly announced GFC-induced deficits in 2008/09 (primarily attributable to investment losses and the discount rate impact on outstanding claims liabilities).

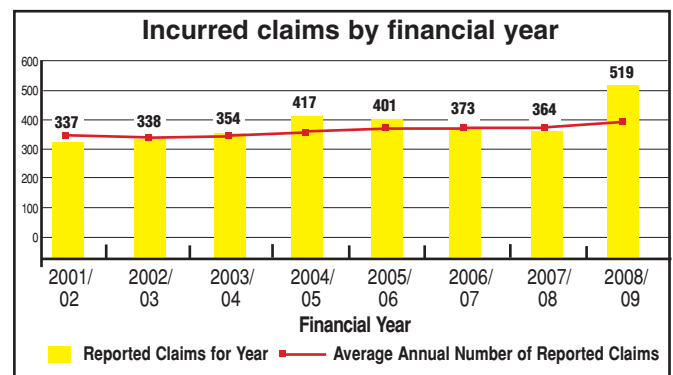
Immediate financial impacts aside, likely effects of the GFC on the future claims cost of the Racing NSW Fund during the 2008/09 year include:-

- a deterioration in Return to Work (RTW) outcomes (as injured workers are less likely to return to work if there is a prospect of retrenchment), and
- a deterioration in claims experience (i.e. increase in claim frequency).

### CLAIM NUMBERS

The number of reported claims has been trending upwards over the last 10 years.

In 2008/09 a total of 519 claims were reported as compared with 364 in 2007/08 (representing an increase of 42.6%). This is the highest reported claims incidence in any of the past nine financial years, exceeding the annual average figure of 386 claims by 34.5%.



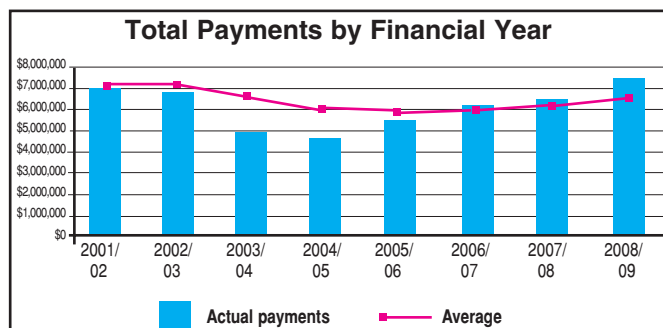
There is no one discernible reason for the unusually high incidence of claims in the past 12 months. The following are all possible contributors:-

- GFC-induced reporting (reflecting an economic environment in which less RTW options exist for claimants, claimants utilise the system as a means of sustaining employment, compensation benefits might be more attractive than the worker's likely earning capacity in the open market);
- "serial claimants" (i.e. recurring fraudulent claims by workers having knowledge of the parameters of the system), particularly rife in a GFC environment;
- employers' increased awareness of injury reporting obligations;
- "domino effect" of several significant and well publicised race falls (i.e. the psychological impact of a jockey's fall on other riders, such that it adversely affects riding confidence and increases chances of human error); and
- to a lesser extent, injuries arising out of interruption to and/or changes in business operations during the World Youth Day relocation (e.g. as a result of increased numbers of workers and horses in one location, unfamiliar work surroundings, changes in horses' training schedules and greater movement of horses), including increased risks associated with the relocation back to Randwick Racecourse in late August 2008.



## PAYMENTS

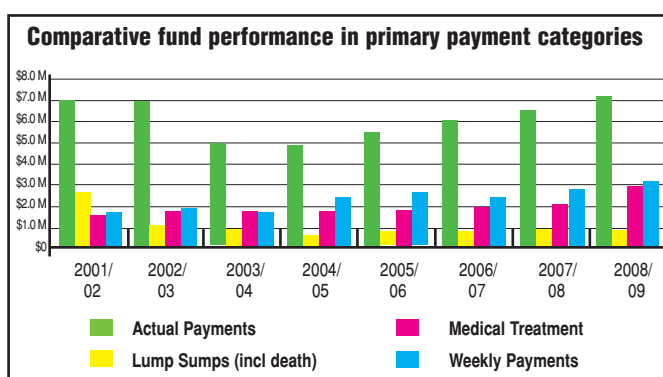
Total payments made by the Fund in 2008/09 increased \$775,583 (11.9%) from 2007/08 and were 18.6% in excess of the eight-year average.



In part, this increased expenditure is accounted for by the high claims incidence for the year. However, other factors driving the quantum of payments from the Fund include:-

- the incidence of severe or catastrophic injuries;
- development of existing claims;
- the bi-annual indexation of weekly compensation benefits;
- inflation rates (impacting the cost of medical treatment and related services), and
- legislative changes.

The graph below illustrates payment trends in the primary categories of Fund expenditure (lump sums, medical treatment and weekly compensation benefits).



### Impact of Legislative Changes during 2008/09 – Death Benefits Increased

The Workers Compensation Legislation Amendment Bill 2008, which increased the lump sum death benefit from \$343,000 to \$425,000, was passed through the Lower House in December 2008. The retrospective application of this amendment triggered one \$425,000 death benefit payment from the Fund during 2008/09.

Total lump sum compensation payments decreased (20.77%) in 2008/09, while weekly payments increased (17.80%) from 2007/08. This is consistent with the shift in focus from lump sum settlements to pension-style benefits brought about by legislative changes in 2001/02. Of the \$589,630 increase in medical treatment costs, \$338,314 (57.38%) was in the sub-category of hospital expenses, reflecting the severity of injuries sustained in 2008/09.

## INITIATIVES FOR 2009/10

In view of the deteriorating claims experience of the Fund in 2008/09, Racing NSW's focus in 2009/10 will be on reducing claims costs through:-

- identifying injury trends and formulating prevention strategies;
- employer education (in the areas of OH&S, risk minimisation and RTW), and
- proactive injury management (more frequent case conferences with injured workers and medical practitioners) and early redeployment planning.

## 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.

Significant cost efficiencies were achieved by the group placement:-

- Broadform Public & Products Liability insurance was renewed on expiring terms at the same premium as for 2008/09, and
- a reduced cost per vehicle was negotiated on the Motor Vehicle Policy.

Racing NSW is working closely with the underwriter of the Industrial Special Risks policy to improve existing exposures to weather perils through risk engineering and mitigation activities.

This commitment has preserved coverage for 2009/10 and materially contained premium increases, notwithstanding the substantial (flood and water damage) claims history of recent years.



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 David Campbell SC	Mr Thomas Carlton
Mr Cliff Clare	Ms Margaret Crawley
Mr John Fletcher	Mr Jack Hickman
Mr Darcy Leo	Mr John Lynn
Mr David McKee	Mr Robert Monnox
Mr Ray Nolan	Ms Susan Skeen
Mr Donald Storey	Mr Rodney Wicks

## EXECUTIVE FOR APPEAL PANEL

Mr Peter V'landys, Secretary

Ms Kathy Reece, Appeals Co-ordinator

## CHANGES TO APPEAL PANEL

During this year Messrs Monnox and Storey retired from 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 the Racing Appeals Tribunal Act 1983 and can hear Appeals on certain matters from persons aggrieved by decisions of the Appeal Panel or Racing Authorities.

## APPEAL PANEL

The Sydney-based Appeal Panel sat on 22 occasions during 2008/09 and Mr John Hiatt chaired the Panel on all occasions. Within those 22 sittings there were 26 Appeals lodged against 30 individual charges. The Appeals on 5 individual charges were withdrawn either prior to or at the time of the hearings. Appellants are required to lodge a \$200 deposit, which may be refunded at the discretion of the Panel.

Area	Upheld	Dismissed	Penalty Varied	Withdrawn	\$200 Refunded	Total Charges
Appeal Panel	2	23	8	5	3	25
Racing Association	0	3	1	0	0	3

## SUMMARY OF CHARGES APPLICABLE TO APPEAL CASES

Rule	Description	Number
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.	12
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.	1
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
AR81A(1)(a)	Any rider commits an offence and may be penalised if a sample taken from him is found upon analysis to contain a substance banned by AR 81B	1
AR81A(1)(b)	Any rider commits an offence and may be penalised if he refuses or fails to deliver a sample as directed by the Stewards, or tampers with or in any way hinders the collection of such sample.	1

Rule	Description	Number
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
AR175(h)(ii)	The Committee of any Club or the Stewards may penalise any person who administers, or causes to be administered, to a horse any prohibited substance which is detected in any sample taken from such horse prior to or following the running of any race.	2
AR175(n)	The Committee of any Club or the Stewards may penalise any person who in their opinion commits or commissions an act of cruelty to a horse, or is in possession or control of any article or thing which, in their opinion, has been made or modified to make it capable of inflicting cruelty to a horse.	1
AR175(o)(i)	The Committee of any Club or the Stewards may penalise any person in charge of a horse who in their opinion fails at any time to exercise reasonable care, control or supervision of a horse to prevent an act of cruelty to the animal.	1
AR175(q)	The Committee of any Club or the Stewards may penalise any person who in their opinion is guilty of any misconduct, improper conduct or unseemly behaviour.	3
AR177	Any horse that has been brought to a racecourse and a prohibited substance is detected in any sample taken from it prior to or following its running in any race must be disqualified from any race in which it started on that day.	2
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
<b>Total</b>		<b>30</b>

## REPRESENTATIVE TABLE

	Dismissed	Upheld
Represented by Solicitor	23	1
Represented Self	0	1
<b>Totals</b>	<b>23</b>	<b>2</b>

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

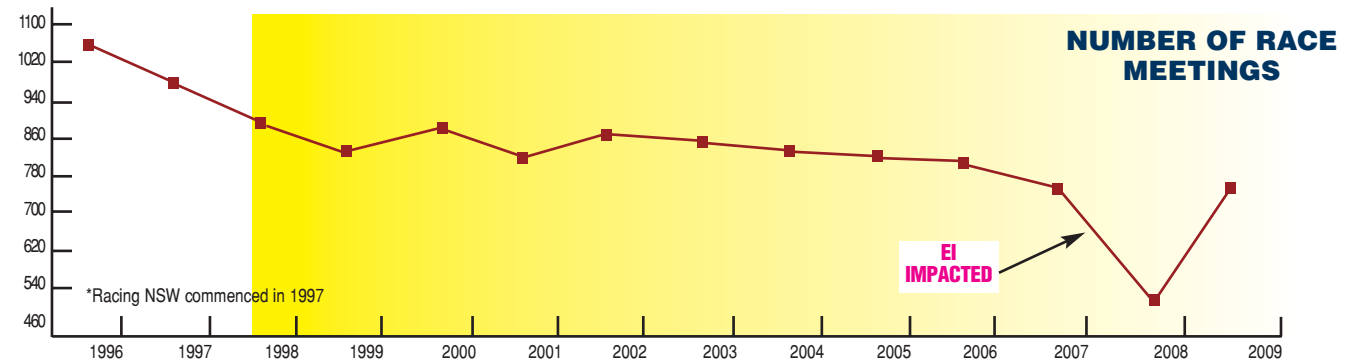
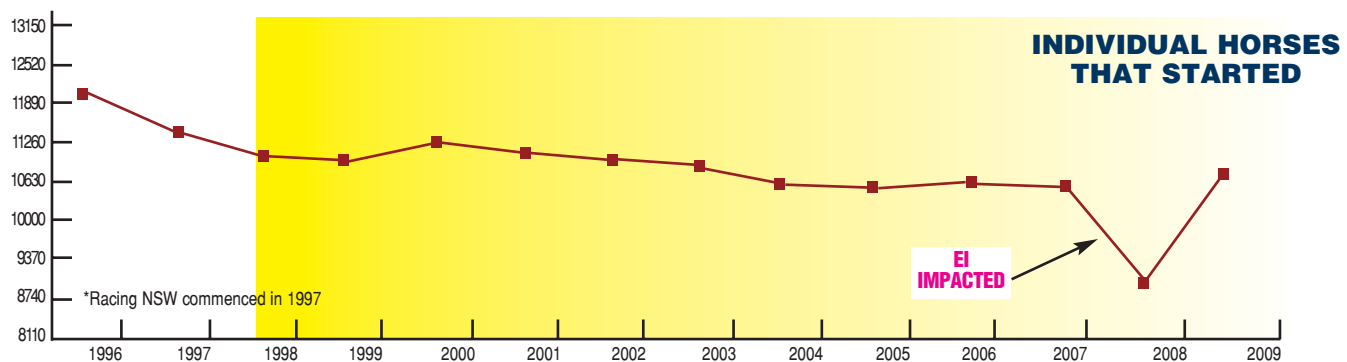
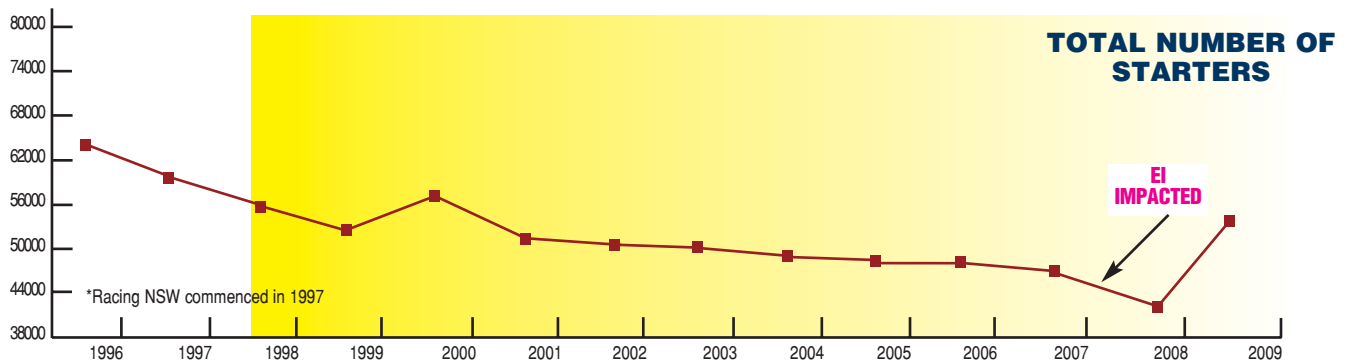
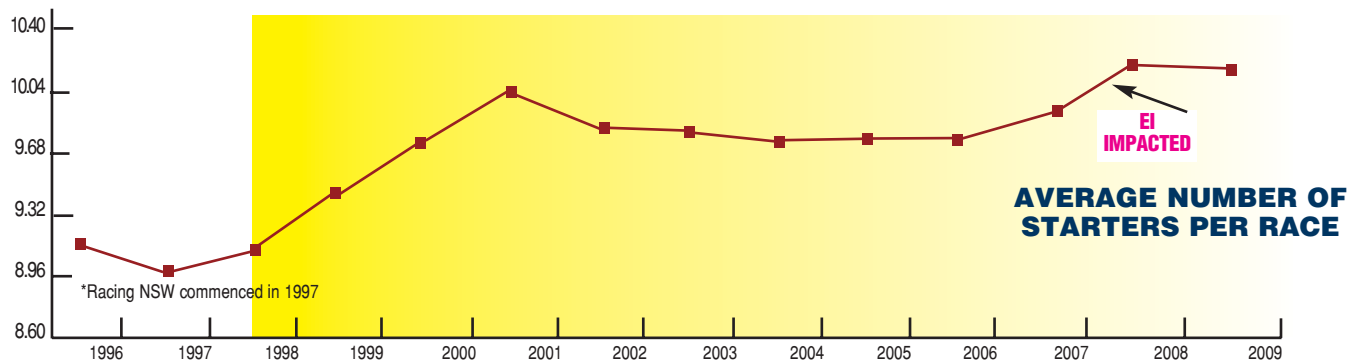
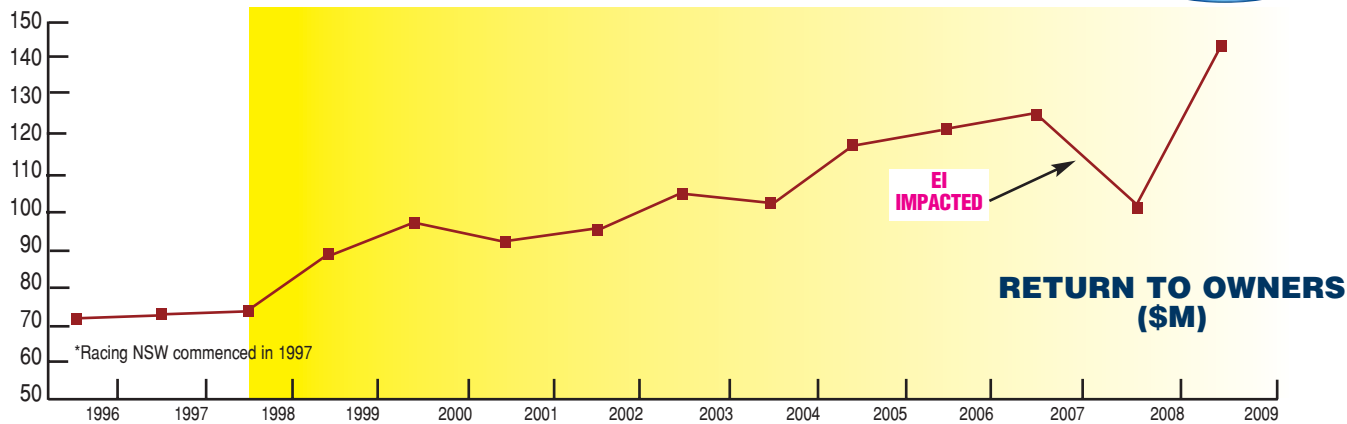
## RACING APPEALS TRIBUNAL

The Racing Appeals Tribunal comprised:-

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

There were three appeals lodged to the Racing Appeals Tribunal during 2008/09. One was heard by His Honour Justice W R Haylen QC, one was heard by His Honour Judge J C McGuire and the third was withdrawn on the day of hearing.

His Honour Mr B R Thorley AM retired from the Tribunal on 1 August, 2008. His Honour Justice W R Haylen QC was appointed Racing Appeals Tribunal from that date.





# FINANCIAL STATEMENTS

A high-angle photograph of a horse race track. In the foreground, a large crowd of spectators is seated in bleachers, many wearing suits and hats. Some are taking photos with their phones. In the middle ground, several horses and jockeys are racing on the green track. A white starting gate is visible in the background, with a sign that reads "Race of the Golden Turf". The track is surrounded by a white fence and a green field. In the distance, there are trees and buildings under a clear sky.

<b>31</b>	<b>Profit/Loss Statement - General Activities</b>
	<b>Profit/Loss Statement - Workers Compensation Fund</b>
<b>32</b>	<b>Profit/Loss Statement - Consolidated (Income Statement)</b>
<b>33</b>	<b>Balance Sheet</b>
<b>35</b>	<b>Notes</b>
<b>56</b>	<b>Declaration &amp; Audit Report</b>





## PROFIT/LOSS STATEMENT - GENERAL ACTIVITIES

FOR THE YEAR ENDED 30 June 2009

	2009	Impacted by EI 2008**
	\$	\$
<b>REVENUE</b>		
<b>Revenue from Operating Activities</b>		
Sale of Goods - Publications	577,331	525,554
Sale of Services	5,415,119	4,202,958
	<b>5,992,450</b>	<b>4,728,512</b>
<b>Revenue from Non Operating Activities</b>		
(Loss)/Gain on Disposal of Assets	(5,954)	12,911
Gain on Disposal of Operations	194,092	-
Interest - General	1,119,227	1,306,864
	<b>1,307,365</b>	<b>1,319,775</b>
	<b>7,299,815</b>	<b>6,048,287</b>
<b>REVENUE FROM ORDINARY ACTIVITIES</b>		
<b>EXPENSES</b>		
Analytical	292,248	240,431
Finance	416,877	431,922
Administration and Executive	4,060,382	4,509,791
Legal	386,026	84,417
Licensing	162,522	178,359
Race Fields	36,641	-
Race Results	4,677	2,919
Publications	609,707	503,677
Laboratory	2,256,660	1,993,032
Handicapping	383,291	291,637
Stewards	2,987,113	2,793,632
Veterinary	577,085	431,359
Syndicates	30,497	4,595
Media	84,957	103,894
Thoroughbred Trainers Service Centre	-	77,624
Industry Training	748,283	541,087
Stakes Payments	312,752	320,210
Information Technology	432,644	447,472
Racing Office	161,825	187,115
Marketing	103,310	-
Finance Costs	40,049	50,044
	<b>14,087,546</b>	<b>13,193,217</b>
Share of (loss)/profit of associate (RISA)	(217,169)	82,662
Net Equine Influenza Expenses	-	(617,589)
	<b>7,227,148</b>	<b>7,925,551</b>
	<b>222,248</b>	<b>245,694</b>
Appearance Fees disbursed during the year, recouped through a first charge on TAB distributions	7,088,800	4,978,400

## PROFIT/LOSS STATEMENT - WORKERS COMPENSATION FUND

FOR THE YEAR ENDED 30 June 2009

	2009	Impacted by EI 2008**
	\$	\$
<b>REVENUE</b>		
<b>Revenue from Operating Activities</b>		
Workers Comp Premiums/Charges	9,045,423	8,799,376
	<b>9,045,423</b>	<b>8,799,376</b>
<b>Revenue from Non Operating Activities</b>		
Interest - Workers Comp Fund	599,212	666,757
Movement in market value of investment fund	(2,791,131)	(2,162,842)
	<b>(2,191,919)</b>	<b>(1,496,085)</b>
	<b>6,853,504</b>	<b>7,303,291</b>
<b>REVENUE FROM ORDINARY ACTIVITIES</b>		
<b>EXPENSES</b>		
Workers Compensation Payments	7,381,791	6,296,163
Workers Compensation Provisions	4,061,170	6,659,750
Workers Compensation Administrative & Regulatory	1,407,424	1,512,934
Finance Costs	150,331	81,904
	<b>13,000,716</b>	<b>14,550,751</b>
	<b>(6,147,212)</b>	<b>(7,247,460)</b>

\*\* The 2008 year was impacted by Equine Influenza such that racing was severely curtailed between 25 August 2007 and 28 February 2008.

# INCOME STATEMENT

## CONSOLIDATED - GENERAL ACTIVITIES AND WORKERS COMPENSATION FUND

RACING NSW ABN 86 281 604 417

FOR THE YEAR ENDED 30 June 2009

	Note	2009 \$	Impacted by EI 2008** \$
<b>REVENUE AND OTHER INCOME</b>			
<b>REVENUE</b>			
Sale of Goods - Publications	5(i)	577,331	525,554
Sale of Services	5(ii)	5,415,119	4,202,958
Workers Compensation Fund Premiums & Revenues	5(iii)	9,045,423	8,799,376
First Charge	5(iv)	7,227,148	7,925,551
Appearance Fee Receipts	5(v)	7,088,800	4,978,400
Interest other parties	5(vi)	1,718,439	1,973,621
<b>OTHER INCOME</b>			
(Loss)/Gain on Disposal of Assets	5(vii)	(5,954)	12,911
Gain on Disposal of Operations	5(viii)	194,092	-
Movement in net market value of investments integral to insurance activities		(2,791,131)	(2,162,842)
<b>TOTAL REVENUE AND OTHER INCOME</b>		<b>28,469,267</b>	<b>26,255,529</b>
<b>EXPENSES</b>			
Analytical	5(ix)	292,248	240,431
Finance	5(x)	416,877	431,922
Administration and Executive	5(xi)	4,060,382	4,509,791
Legal	5(xii)	386,026	116,757
Licensing	5(xiii)	162,522	178,359
Race Fields	5(xiv)	36,641	-
Race Results	5(xv)	4,677	-
Cost of Goods Sold - Publications	5(xvi)	609,707	503,677
Laboratory	5(xvii)	2,256,660	1,993,032
Handicapping	5(xviii)	383,291	291,637
Stewards	5(xix)	2,987,113	2,793,632
Veterinary	5(xx)	577,085	431,359
Syndicates	5(xxi)	30,497	4,595
Media	5(xxii)	84,957	103,894
Thoroughbred Trainers Service Centre	5(xxiii)	-	77,624
Industry Training	5(xxiv)	748,283	541,087
Stakes Payments	5(xxv)	312,752	320,210
Information Technology	5(xxvi)	432,644	447,472
Racing Office	5(xxvii)	161,825	187,115
Appearance Fee (unplaced starters)	5(xxviii)	7,088,800	4,978,400
Marketing	5(xxix)	103,310	-
Workers Compensation Fund Expenses	5(xxx)	12,850,385	14,436,507
Finance Costs	5(xxxi)	190,380	131,948
<b>TOTAL EXPENSES</b>		<b>34,177,062</b>	<b>32,722,368</b>
Share of (loss) / profit of associate (RISA)	10	(217,169)	82,662
Net Equine Influenza Expenses	5(xxxii)	-	(617,589)
<b>LOSS BEFORE INCOME TAX</b>	5(xxxiii)	<b>(5,924,964)</b>	<b>(7,001,766)</b>
<b>INCOME TAX EXPENSE</b>		-	-
<b>LOSS AFTER INCOME TAX</b>		<b>(5,924,964)</b>	<b>(7,001,766)</b>

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

\*\* The 2008 year was impacted by Equine Influenza such that racing was severely curtailed between 25 August 2007 and 28 February 2008.

# BALANCE SHEET



RACING NSW ABN 86 281 604 417  
AS AT 30 June 2009

	Note	2009 \$	2008 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	7	53,775,140	24,326,413
Trade and Other Receivables	8	15,472,311	14,898,657
Other Current Assets	9	128,321	81,177
<b>TOTAL CURRENT ASSETS</b>		<b>69,375,772</b>	<b>39,306,247</b>
<b>NON-CURRENT ASSETS</b>			
Investment accounted for using the equity method	10	1,865,419	2,880,957
Financial Assets	11	13,728,072	16,519,203
Property, Plant and Equipment - Buildings	12	4,516,260	4,612,044
Property, Plant and Equipment - Other	13	2,065,977	2,583,076
<b>TOTAL NON-CURRENT ASSETS</b>		<b>22,175,728</b>	<b>26,595,280</b>
<b>TOTAL ASSETS</b>		<b>91,551,500</b>	<b>65,901,527</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	14	41,321,131	13,136,863
Breeders and Owners Bonus Scheme	15	10,792,504	10,316,277
Provisions	16	807,969	567,993
Workers Compensation Provisions	17	6,617,670	6,920,973
Other Current Liabilities	18	970,587	1,163,815
<b>TOTAL CURRENT LIABILITIES</b>		<b>60,509,861</b>	<b>32,105,921</b>
<b>NON-CURRENT LIABILITIES</b>			
Breeders and Owners Bonus Scheme	15	4,593,832	4,884,984
Provisions	16	450,567	361,882
Workers Compensation Provisions	17	29,680,500	25,316,027
Borrowings	19	-	991,009
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>34,724,899</b>	<b>31,553,902</b>
<b>TOTAL LIABILITIES</b>		<b>95,234,760</b>	<b>63,659,823</b>
<b>NET (LIABILITIES) / ASSETS</b>		<b>(3,683,260)</b>	<b>2,241,704</b>
<b>EQUITY</b>			
Reserves	20	(3,683,260)	2,241,704
Accumulated (Deficit)/Surplus	21	-	-
<b>TOTAL EQUITY</b>		<b>(3,683,260)</b>	<b>2,241,704</b>

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 2009

	Note	Reserves \$	Accumulated Surplus \$	Total \$
<b>Balance at 1 July 2007</b>		<b>9,243,470</b>	-	<b>9,243,470</b>
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	21	(7,001,766)	7,001,766	-
<b>Balance at 1 July 2008</b>		<b>2,241,704</b>	-	<b>2,241,704</b>
Loss for the Year		-	(5,924,964)	(5,924,964)
Total Recognised Income and Expense for the Year		-	(5,924,964)	(5,924,964)
Transfer to Reserves	21	(5,924,964)	5,924,964	-
<b>Balance at 30 June 2009</b>		<b>(3,683,260)</b>	-	<b>(3,683,260)</b>

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 2009

	Note	2009 \$	2008 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers		68,274,779	28,320,024
Payments to suppliers and employees		(39,676,247)	(23,096,730)
Interest received		1,718,439	1,964,834
Finance costs		(190,380)	(131,948)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	6(b)	<b>30,126,591</b>	<b>7,056,180</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		(367,959)	(1,264,028)
Proceeds from sale of interest in associated entity (RISA)		-	548,792
Distribution from RISA		798,369	-
Proceeds from sale of Thoroughbred Trainers Service Centre		200,000	-
Proceeds from sale of plant and equipment		115,841	152,468
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>746,251</b>	<b>(562,768)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of Loan to RISA		(991,009)	(548,792)
Funding of Loan to RISA		(7,360)	-
Loans (to)/from related parties		(425,746)	96,081
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(1,424,115)</b>	<b>(452,711)</b>
<b>NET INCREASE IN CASH</b>		<b>29,448,727</b>	<b>6,040,701</b>
Cash at beginning of the year		24,326,413	18,285,712
<b>CASH AT THE END OF THE YEAR</b>	6(a)	<b>53,775,140</b>	<b>24,326,413</b>

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

### NOTE 1: SUMMARY 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

Material accounting 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.

#### (c) 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 2009, Racing NSW has a net asset deficit of \$3,683,260 (2008: \$2,241,704 surplus). The Board is 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).

#### (d) 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 assets' 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 assets' 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%

##### 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.

#### (e) Financial Assets

##### Classification

Racing NSW classifies its financial assets in the following categories: Financial Assets 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 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.

### (f) 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 Breeders and Owner Bonus Scheme (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.

### (g) Investments in Associates

Associates are entities over which Racing NSW has significant influence but not control. Associates are accounted for using the equity method of accounting. Under the equity method of accounting, the income statement reflects Racing NSW's share of associates' post-acquisition profits or losses and the balance sheet reflects Racing NSW's share of post-acquisition movements in reserves or equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates reduce the carrying amount of the investment in the financial statements.

When Racing NSW's share of post-acquisition losses in an associate exceeds its interest in the associate (including any unsecured receivables), Racing NSW does not recognise further losses unless it has obligations to, or has made payments, on behalf of the associate.

The financial statements of the associates are used to apply the equity method. The reporting dates of the associates and the parent are identical and both use consistent accounting policies.

### (h) 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.

### (i) Employee Benefits

Provision is made for Racing NSW's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Contributions are made by Racing NSW to accumulation employee superannuation funds and are charged as expenses when incurred.

A liability or asset 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.

### (j) 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.

### (k) 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).

### (l) 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.

### (m) 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.

### (n) Finance Costs

Finance costs are expensed when incurred.

### (o) 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 includes 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.

### (p) 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.

### (q) Comparative Figures

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

### (r) Government Grants

Grants from the Government are recognised at their fair value where there is reasonable assurance that the grant will be received and Racing NSW will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

### (s) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when Racing NSW has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. For service warranties, the likelihood that an outflow will be required to settle the obligation is determined by considering the class of obligations as a whole. Provisions are not recognised for future operating losses.

Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### (t) 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:

- (i) Estimation of Insurance Liabilities (Refer Note 30)
- (ii) Control of Workers Compensation Fund. Management have determined that Racing NSW ultimately has the underwriting risk of the workers compensation fund and therefore has control of the fund.

### (u) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 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.

#### AASB 8 Operating Segments (Issued February 2007)

This standard is applicable to the 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, disclosures required for the operating segments will be significantly different to what is currently reported.

## 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



# NOTES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Laboratory. In addition it provides the co-ordination of the NSW Thoroughbred Racing Industry including Race Programming, Stakes Payments and Industry Training. Also included are Racing Colours Registration, NSW Racing Magazine, Syndicates, Leases and Transfers and the Racing NSW Insurance Fund separately. The consolidated results encompass all divisions noted above.

### NOTE 3: INCOME TAX

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

### NOTE 4: 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. (Refer to Note 30).
- (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) Interest represents investment earnings and interest income, excluding movements in the value of managed funds and property.

	2009	2008
	\$	\$
Interest from Cash at Bank	1,117,967	1,306,864
Interest from Cash on Deposit	600,472	666,757
	<b>1,718,439</b>	<b>1,973,621</b>

- (vii) (Loss)/Gain on Disposal of Assets represents net amounts received on sale or trade in of assets, less the carrying value of these assets.
- (viii) Gain on Disposal of Operations represents the profit on sale of Thoroughbred Trainers Service Centre to RISA.
- (ix) Analytical includes staff, software and office costs associated with providing specialised analytical information.
- (x) Finance includes staff, software and office costs associated with providing finance and accounting support.
- (xi) Administration and 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.

- (xii) Legal represents the cost of managing legal matters and litigation, including staff costs and external representation.
- (xiii) Licensing expenditure represents staff and office costs associated with the derivation of this income stream.
- (xiv) Race Fields expenditure represents staff, consultants and office costs associated with the management of race fields information use and collection of fees.
- (xv) Race Results expenditure represents staff, consultants and office costs associated with the deriving of income for the provision of race result information.
- (xvi) Publications expenditure includes staff and office costs as well as all production, distribution and selling costs.
- (xvii) Laboratory expenditure includes staffing, depreciation of capital expenditure, consumables and occupancy costs.
- (xviii) Handicapping expenditure includes staff and office costs.
- (xix) Stewards' expenditure includes staffing costs, shorthand writers and office costs.
- (xx) Veterinary expenditure includes staff, research horses, consumables and office costs.
- (xxi) Syndicates expenditure includes staffing and office costs.
- (xxii) Media costs include staff, participation in national advertising, promotional activities and monitoring of media.
- (xxiii) TTSC represents staffing and support costs of Thoroughbred Trainers Service Centre.
- (xxiv) Industry Training expenditure represent staffing costs as well as educational costs associated with the training of apprentice jockeys.
- (xxv) Stakes Payments costs include staffing, consultants, system development, bank charges and office costs.
- (xxvi) Information Technology represents the cost of providing an IT platform to Racing NSW and supporting staff costs.
- (xxvii) Racing Office represents the cost of coordinating race dates and programming throughout NSW.
- (xxviii) Appearance fees are a \$200 per starter payment to the owners of all horses not receiving prizemoney.
- (xxix) Marketing costs include staff and consultants and promotional costs. These were included in Administration and Executive in prior years.
- (xxx) Workers Compensation Insurance Fund. This Fund is designed to provide workers compensation insurance cover for employees of NSW Racing Clubs and trainers of racehorses against liability relating to injury sustained 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 (ASWIG). This contract 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. (Refer to Note 30).
- (xxxi) Finance costs include interest expense, bank charges and bank guarantee fees.
- (xxxii) Equine Influenza Costs include all direct external expenditure related to Equine Influenza excluding Racing NSW internal staff costs net of any recoveries from state or federal agencies.
- (xxxiii) Loss after Income Tax. The loss from ordinary activities has been determined after :

	2009 \$	2008 \$
<b>NOTE 5: INCOME STATEMENT (CONT.)</b>		
<b>Finance Costs</b>		
Bank Charges	49,280	60,212
Bank Guarantee	141,100	71,736
<b>Total Finance Costs</b>	<b>190,380</b>	<b>131,948</b>
<b>Depreciation and impairment expense of non-current assets</b>		
- Land and Building Depreciation Expense	95,784	167,276
- Plant and Equipment Depreciation Expense	757,354	743,195
<b>Total Depreciation and Impairment Expense</b>	<b>853,138</b>	<b>910,471</b>
<b>Bad and Doubtful Debts</b>		
- Trade Debtors written off / (recovered)	10,974	(75,357)
<b>Total Bad and Doubtful Debts</b>	<b>10,974</b>	<b>(75,357)</b>
Racing NSW has included in its Trade Debtors 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.		
<b>Rental Expense on Operating Lease</b>	<b>57,743</b>	<b>59,586</b>
<b>Total (Loss)/Gain on disposal of non-current assets:</b>		
- Property, Plant and Equipment	(5,954)	12,911
<b>Total (Loss)/Gain on disposal of non-current assets</b>	<b>(5,954)</b>	<b>12,911</b>
<b>Remuneration of Auditor</b>		
- audit services	86,594	81,278
- non-audit services	-	-
<b>Total Remuneration of Auditor</b>	<b>86,594</b>	<b>81,278</b>
<b>Employee Benefits Expense</b>	<b>7,668,594</b>	<b>7,085,277</b>
<b>Defined Contribution Superannuation Expense</b>	<b>701,870</b>	<b>650,951</b>
<b>Defined Benefit Superannuation Expense</b>	<b>226,973</b>	<b>108,319</b>
<b>Individually Significant Items:</b>		
<b>Increase in Provision relating to Insurance Claims Liability as recommended by the Actuary (Refer Note 17)</b>	<b>4,061,170</b>	<b>6,659,750</b>

## NOTE 6: CASH FLOW INFORMATION

a) Reconciliation of Cash		
Cash and Cash Equivalents	53,775,140	24,326,413
<b>Cash</b>	<b>53,775,140</b>	<b>24,326,413</b>

As at 30 June 2009, Racing NSW has credit facilities in place with a limit of \$100,000 (2008: \$100,000) with an amount of \$100,000 (2008: \$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 after Income Tax	(5,924,964)	(7,001,766)
Loss/(Gain) on Sale of Assets	5,954	(12,911)
Gain on Sale of Operations	(194,092)	-
Depreciation and Impairment Expense	853,137	910,471
Share of net loss/(profit) in associate (RISA)	217,169	(82,662)
Unrealised Loss on investment	2,791,131	2,162,842
	<b>(2,251,666)</b>	<b>(4,024,026)</b>

# NOTES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 \$	2008 \$
<b>NOTE 6: CASH FLOW INFORMATION (CONT.)</b>		
Decrease/(increase) in Trade Debtors	114,543	(1,260,125)
(Increase) in Prepayments	(47,144)	(26,901)
(Increase) in Stakes Payment Debtors	(447,994)	(843,002)
Decrease/(increase) in Other Debtors	12,949	(19,117)
(Decrease)/increase in Trade Creditors and BOBS Creditors	(552,675)	3,842,574
(Decrease)/increase in Stakes Payment Creditors	(1,450,593)	1,952,747
(Decrease)/increase in Sundry Creditors and Accruals	(830,815)	697,551
Increase in Leave Provisions	328,661	76,729
Increase in Race Fields Fees	31,190,154	-
Increase in Insurance Claims Provision	4,061,170	6,659,750
	<b>32,378,256</b>	<b>11,080,206</b>
Cash Flows from operating activities	<b>30,126,591</b>	<b>7,056,180</b>

### NOTE 7: CASH AND CASH EQUIVALENTS

Cash at Bank	24,514,105	13,999,823
Cash on Deposit	29,261,035	10,326,590
<b>Total Cash</b>	<b>53,775,140</b>	<b>24,326,413</b>

The Cash at Bank bears floating interest rates between 2.5% and 2.84% (2008: 3.00% and 7.00%). Cash on Deposit bears interest rates of 3.2% (2008: 7.12% and 7.32%). 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	2,834,318	2,987,979
Provision for Doubtful Debts	(68,797)	(107,915)
Sundry Debtors	1,377,334	1,324,534
Amounts receivable from associated entities:		
- Racing NSW Country Limited	3,313,791	3,510,212
- Racingcorp Pty Limited	91,418	-
- Australian Racing Board Limited	930,703	579,908
RISA	7,360	-
Stakes Payment Debtors	6,986,184	6,538,190
Bank Guarantee	-	65,749
<b>Total Receivables</b>	<b>15,472,311</b>	<b>14,898,657</b>

### NOTE 9: OTHER CURRENT ASSETS

Prepayments	84,687	81,177
Other Debtors	43,634	-
	<b>128,321</b>	<b>81,177</b>

### NOTE 10: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

#### Interest in Associated Entity

Name of Entity	Principal Activity	Country of Incorporation	Balance Date	2009	2008
<b>Racing Information Services Australia Pty Ltd (RISA)</b>					
	Maximising benefits of racing information	Australia	30/06/2009		
Ownership Interest				35.0%	35.0%
Voting Power				35.0%	35.0%



	2009 \$	2008 \$
<b>NOTE 10: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT.)</b>		
<b>Movements in carrying amounts</b>		
At beginning of financial year	2,880,957	3,347,087
Dilution of Shareholding	-	(548,792)
Distribution from RISA	(798,369)	-
Share of operating (loss)/profit after income tax	(217,169)	82,662
At end of financial year	<u>1,865,419</u>	<u>2,880,957</u>
<b>Total Investments Accounted for using Equity Method</b>	<u>1,865,419</u>	<u>2,880,957</u>

**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	3,993,082	4,891,915
Liabilities	690,407	1,171,507
<b>Equity</b>	<u>3,302,675</u>	<u>3,720,408</u>
Revenues	2,145,617	1,738,905
<b>(Loss)/Profit</b>	<u>(217,169)</u>	<u>82,662</u>
<b>Share of RISA's commitments</b>		
Capital commitments	-	-
Lease commitments	-	-
	<u>-</u>	<u>-</u>

**Contingent liabilities of RISA**

Share incurred jointly with other investors

Further information on the RISA investment can be found in Note 31

**NOTE 11: FINANCIAL ASSETS**

ANZ Wholesale Investment Trust	13,728,072	16,519,203
	<u>13,728,072</u>	<u>16,519,203</u>

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	263,060	167,276
<b>Total Land and Buildings</b>	<u>4,516,260</u>	<u>4,612,044</u>
Movement in Carrying Amounts		
Balance at Beginning of Year	4,612,044	4,779,320
Depreciation Expense	(95,784)	(167,276)
<b>Carrying Amount at the end of the year</b>	<u>4,516,260</u>	<u>4,612,044</u>

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

**NOTE 13: PROPERTY, PLANT AND EQUIPMENT - OTHER**

<b>Plant and Equipment - at cost</b>	7,179,815	7,139,070
Less accumulated depreciation	5,113,838	4,555,994
<b>Total Plant and Equipment</b>	<u>2,065,977</u>	<u>2,583,076</u>
Movement in Carrying Amounts		
Balance at Beginning of Year	2,583,076	2,201,799
Additions	367,959	1,264,028
Disposals	(127,704)	(139,557)
Depreciation Expense	(757,354)	(743,194)
<b>Carrying Amount at the end of the year</b>	<u>2,065,977</u>	<u>2,583,076</u>

# NOTES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 \$	2008 \$
<b>NOTE 13: PROPERTY, PLANT AND EQUIPMENT - OTHER (CONT.)</b>		
Plant and equipment above is comprised of the following categories.		
<b>Laboratory Equipment - at cost</b>	2,785,465	2,781,736
Less accumulated depreciation	2,396,055	2,104,819
<b>Total Laboratory Equipment</b>	<b>389,410</b>	<b>676,917</b>
Movement in Carrying Amounts		
Balance at Beginning of Year	676,917	389,614
Additions	3,729	551,130
Depreciation Expense	(291,236)	(263,827)
<b>Carrying Amount at the end of the year</b>	<b>389,410</b>	<b>676,917</b>
<b>Building Fit-out, Furniture and Fittings - at cost</b>	947,255	947,255
Less accumulated depreciation	251,603	151,355
<b>Total Building Fit-out, Furniture and Fittings</b>	<b>695,652</b>	<b>795,900</b>
Movement in Carrying Amounts		
Balance at Beginning of Year	795,900	894,003
Additions	-	2,177
Depreciation Expense	(100,248)	(100,280)
<b>Carrying Amount at the end of the year</b>	<b>695,652</b>	<b>795,900</b>
<b>Office and Other Equipment - at cost</b>	2,396,587	2,409,966
Less accumulated depreciation	2,178,569	2,064,885
<b>Total Office and Other Equipment</b>	<b>218,018</b>	<b>345,081</b>
Movement in Carrying Amounts		
Balance at Beginning of Year	345,081	389,037
Additions	37,481	160,304
Disposals	(5,909)	-
Depreciation Expense	(158,635)	(204,260)
<b>Carrying Amount at the end of the year</b>	<b>218,018</b>	<b>345,081</b>
<b>Motor Vehicles - at cost</b>	1,050,508	1,000,110
Less accumulated depreciation	287,612	234,933
<b>Total Motor Vehicles</b>	<b>762,896</b>	<b>765,177</b>
Movement in Carrying Amounts		
Balance at Beginning of Year	765,177	529,144
Additions	326,749	550,417
Disposals	(121,795)	(139,557)
Depreciation Expense	(207,235)	(174,827)
<b>Carrying Amount at the end of the year</b>	<b>762,896</b>	<b>765,177</b>
<b>NOTE 14: TRADE AND OTHER PAYABLES</b>		
Trade Creditors	662,521	1,400,271
Other Creditors and Accruals	1,449,905	2,189,711
Employee Leave	690,531	690,235
Amounts payable to associated entities:		
- Racingcorp Pty Limited	-	179,956
Stakes Payment Creditors	6,807,392	8,257,985
Race Fields Fees	31,190,154	-
Benevolent Fund	520,628	418,705
<b>Total Creditors and Accruals</b>	<b>41,321,131</b>	<b>13,136,863</b>

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.

Race Fields Fees represents fees collected under the Racing Administration Act 1998 that have not been distributed pending the legal challenges of Betfair and Sportsbet in relation to the validity of those fees.

	2009 \$	2008 \$
<b>NOTE 15: BREEDERS AND OWNERS BONUS SCHEME</b>		
<b>Current</b>		
Breeders and Owners Bonus Scheme	10,792,504	10,316,277
<b>Total Current</b>	<b>10,792,504</b>	<b>10,316,277</b>
<b>Non-Current</b>		
Breeders and Owners Bonus Scheme	4,593,832	4,884,984
<b>Total Non-Current</b>	<b>4,593,832</b>	<b>4,884,984</b>
	<b>15,386,336</b>	<b>15,201,261</b>

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(m))

## NOTE 16: PROVISIONS

<b>Current</b>		
Employee Benefits	807,969	567,993
<b>Total Current</b>	<b>807,969</b>	<b>567,993</b>
<b>Non-Current</b>		
Employee Benefits	450,567	361,882
<b>Total Non-Current</b>	<b>450,567</b>	<b>361,882</b>
<b>Total Provisions for Employee Benefits</b>	<b>1,258,536</b>	<b>929,875</b>

## 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	2,558,555	2,581,973
Net market value of assets held by the fund to meet future benefit payments	2,237,521	2,469,512
Adjustment for known shortfall	-	-
Excess of the present value of employees accrued benefits over assets held to meet future benefit payments (included within employee benefits provision).	<b>321,034</b>	<b>112,461</b>

## NOTE 17: WORKERS COMPENSATION PROVISION

<b>Current</b>		
Provision for Insurance Outstanding Claims	6,617,670	6,920,973
<b>Total Current</b>	<b>6,617,670</b>	<b>6,920,973</b>
<b>Non-Current</b>		
Provision for Insurance Outstanding Claims	29,680,500	25,316,027
<b>Total Non-Current</b>	<b>29,680,500</b>	<b>25,316,027</b>
<b>Total Provisions for Workers Compensation</b>	<b>36,298,170</b>	<b>32,237,000</b>
<b>Workers Compensation Provisions</b>		
Opening Balance of Workers Compensation Provisions	32,237,000	25,577,250
Movement in Workers Compensation Provisions	4,061,170	6,659,750
<b>Closing Balance of Workers Compensation Provisions</b>	<b>36,298,170</b>	<b>32,237,000</b>

## Provision for Insurance Outstanding Claims

An actuarial valuation of the Insurance Funds' outstanding claims was performed by independent actuaries, Finity Consulting Pty Limited, as at 30 June 2009. The ANZ Bank had issued guarantees amounting to \$30,953,000 as at 30 June 2009 (2008: \$26,901,000) in favour of Workcover Authority of NSW. This guarantee is required under the terms of Racing NSW's insurance licence. In accordance with the Workers Compensation Act 1987 and actuarial recommendations, Racing NSW has provided for a prudential margin of 20% (2008: 25%) in respect of the net central estimate of liabilities relating to the specialised insurer's licence and a prudential margin of 50% (2008: 50%) in respect of the net central estimate of liabilities relating to the self insurer's licence. Racing NSW is currently in the process of increasing the ANZ Bank Guarantee to \$36,300,000 as a requirement of NSW Workcover guidelines.

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.



# NOTES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 \$	2008 \$
<b>NOTE 18: OTHER CURRENT LIABILITIES</b>		
Deferred Income	970,587	1,163,815
	<b>970,587</b>	<b>1,163,815</b>

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, licence fees, Workers Compensation Insurance premiums and subscriptions to NSW Racing magazine.

### NOTE 19: BORROWINGS

#### Non - Current

Loan payable to RISA	-	991,009
	-	<b>991,009</b>

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	1,288,089	1,505,258
Operating Reserve	731,975	731,975
Industry Distribution Reserve	2,192,544	1,753,127
Workers Compensation Reserve	(7,895,868)	(1,748,656)
<b>Total Reserves</b>	<b>(3,683,260)</b>	<b>2,241,704</b>

#### Movement in Reserves

##### General Reserve

Balance at the beginning of the year	1,505,258	1,422,596
Transfers (to)/from accumulated surplus	(217,169)	82,662
Balance reserve at the end of the year	1,288,089	1,505,258

##### Operating Reserve

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

##### Industry Distribution Reserve

Balance at the beginning of the year	1,753,127	1,590,095
Transfers from accumulated surplus	439,417	163,032
Balance reserve at the end of the year	2,192,544	1,753,127

##### Workers Compensation Reserve

Balance at the beginning of the year	(1,748,656)	5,498,804
Transfers to accumulated surplus	(6,147,212)	(7,247,460)
Balance reserve at the end of the year	(7,895,868)	(1,748,656)

#### **Total Reserves**

**(3,683,260)      2,241,704**

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 accumulated losses from Racing NSW Workers Compensation segment.

### NOTE 21: ACCUMULATED SURPLUS

Accumulated surplus at beginning of the financial year	-	-
Total Funds transferred (from)/to Reserves	(5,924,964)	(7,001,766)
Transfer from/(to) General Reserve	217,169	(82,662)
Transfer to Operating Reserve	-	-
Transfer to Industry Distribution Reserve	(439,417)	(163,032)
Transfer from Workers Compensation Reserve	6,147,212	7,247,460
<b>Accumulated surplus at end of the financial year</b>	<b>-</b>	<b>-</b>

### 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	8,675	14,752
Payable later than 1 year and not later than 5 years	-	8,675
	<b>8,675</b>	<b>23,427</b>

### 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 2010 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 currently defending Federal Court proceedings commenced by Belfair in respect of Race Field Fees collected by Racing NSW under the Racing Administration Act 1998. An adverse decision in that case may result in an order to repay Race Field Fees (included in Note 14). Due to the uncertainty of the litigation no other provisions have been made.

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 \$30,953,000 (2008: \$26,901,000) at balance date, against a facility of \$32,000,000 (2008: \$27,000,000). Unused facilities at balance date amount to \$1,047,000 (2008: \$99,000).

#### 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 and 11. 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
Alan Brown	Chairman (commenced 19 December 2008)
Alan Bell	Deputy Chairman (commenced 19 December 2008)
Ken Brown AM	Board Member (commenced 19 December 2008)
Kim Harding	Board Member (commenced 19 December 2008)
Arthur Inglis	Board Member (commenced 19 December 2008)
Gary Pemberton AC	Chairman (resigned 2 July 2008)
Phillip Esplin	Board Member (Acting Chairman from 2 July 2008, retired 19 December 2008)
Noel Bracks	Board Member (retired 19 December 2008)
Rob Ferguson	Board Member (retired 19 December 2008)
Gordon Lindley	Board Member (retired 19 December 2008)
Trevor Lobb	Board Member (retired 19 December 2008)
William Picken	Board Member (retired 19 December 2008)
Brian Reardon	Board Member (retired 19 December 2008)
Peter V'landys	Chief Executive Officer / Board Member
Ray Murrphy	General Manager - Integrity
Paul Eriksson	General Manager - Finance & IT
Andrew Vadasz	Laboratory Director
Brian Judd	General Manager - Industry (retired 15 July 2008)
Greg Rudolph	General Manager - Commercial
Keith Bulloch	General Manager - Regulatory
Scott Kennedy	General Manager - Industry & Analytical
Pete Sweney	Legal Counsel
Nathan McLellan	Legal Counsel, General Manager - Insurance (resigned 19 September 2008)
Natalie Tipping	General Manager - Insurance (commenced 13 October 2008)

	2009	2008
	\$	\$
<b>b) Key Management Personnel Compensation</b>		
<b>Short Term Benefits</b>		
Salary and Fees	1,873,725	2,055,961
Non-Cash Benefits	123,454	122,800
<b>Post Employment Benefit</b>		
Other	9,491	30,982
Superannuation	256,416	292,041
<b>Total</b>	<b>2,263,086</b>	<b>2,501,784</b>

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.

# NOTES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 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 DrUITT Street, Sydney, NSW, 2000.

### NOTE 26: SEGMENT REPORTING

	2009			2008		
	Racing NSW	Insurance	Total	Racing NSW	Insurance	Total
<b>Primary Reporting - Business Segments</b>						
Revenue						
External Sales	20,308,398	9,045,423	29,353,821	17,632,463	8,799,376	26,431,839
Other Revenue	1,307,365	(2,191,919)	(884,554)	1,319,775	(1,496,085)	(176,310)
Share of Profit of associated entity	-	-	-	82,662	-	82,662
<b>Total Segment Revenue</b>	<b>21,615,763</b>	<b>6,853,504</b>	<b>28,469,267</b>	<b>19,034,900</b>	<b>7,303,291</b>	<b>26,338,191</b>
Expenditure	20,323,385	13,000,539	33,323,924	17,883,345	14,546,141	32,429,486
Depreciation	852,961	177	853,138	905,861	4,610	910,471
Share of Loss of associated entity	217,169	-	217,169	-	-	-
<b>Total Segment Expenditure</b>	<b>21,393,515</b>	<b>13,000,716</b>	<b>34,394,231</b>	<b>18,789,206</b>	<b>14,550,751</b>	<b>33,339,957</b>
<b>Segment Result</b>	<b>222,248</b>	<b>(6,147,212)</b>	<b>(5,924,964)</b>	<b>245,694</b>	<b>(7,247,460)</b>	<b>(7,001,766)</b>
<b>Assets</b>						
Segment Assets	63,734,234	25,951,847	89,686,081	36,120,404	26,900,166	63,020,570
Investments in Assets Accounted for using the Equity Method	1,865,419	-	1,865,419	2,880,957	-	2,880,957
<b>Total Assets</b>	<b>65,599,653</b>	<b>25,951,847</b>	<b>91,551,500</b>	<b>39,001,361</b>	<b>26,900,166</b>	<b>65,901,527</b>
<b>Liabilities</b>						
Segment Liabilities	58,677,140	36,557,620	95,234,760	31,217,073	32,442,750	63,659,823
<b>Total Liabilities</b>	<b>58,677,140</b>	<b>36,557,620</b>	<b>95,234,760</b>	<b>31,217,073</b>	<b>32,442,750</b>	<b>63,659,823</b>
<b>Net Assets/(Liabilities)</b>	<b>6,922,513</b>	<b>(10,605,773)</b>	<b>(3,683,260)</b>	<b>7,784,288</b>	<b>(5,542,584)</b>	<b>2,241,704</b>
<b>Purchase of Non-Current Assets</b>	<b>367,959</b>	<b>-</b>	<b>367,959</b>	<b>1,264,028</b>	<b>-</b>	<b>1,264,028</b>
<b>Impairment Losses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Significant Non Cash Expenses other than Depreciation</b>	<b>-</b>	<b>4,061,170</b>	<b>4,061,170</b>	<b>-</b>	<b>6,659,750</b>	<b>6,659,750</b>

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

#### (a) Key Management Personnel

The key management personnel of the company are disclosed in note 24(a).

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

A.F. Brown	G.M. Pemberton AC	R.A. Ferguson
A.R. Bell	B.J. Reardon	W.A. Picken
A.A. Inglis	D.P.R. Esplin	G.A. Lindley
K.N. Brown AM	T.R. Lobb	P.N. V'landys
K.E. Harding	N.F. Bracks	

Agistment fees for research horses of \$43,474 (2008: \$42,764) were expended to Muskoka Farm. Muskoka Farm is owned by R M Lapointe, a prior Board member of Racing NSW. These transactions are conducted on normal commercial terms.

Mr A Brown and Mr P N V'landys, both board members of Racing NSW, are also directors of Racingcorp Pty Limited and each beneficially own for Racing NSW one Class A1 share unit in Racingcorp Pty Limited.

Mr P N V'landys is also a director of Australian Racing Board Limited.



## NOTE 27: RELATED PARTIES (CONT.)

### (b) Other Related Parties

Racing NSW undertakes accounting, administrative, banking and payroll services and support for Racing NSW Country Limited, NSW TRB Training Limited, Racingcorp Pty Limited and Australian Racing Board 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	58,444,621	58,641,042
- Australian Racing Board Limited	875,210	524,416
- Racingcorp Pty Limited	499,863	228,489
- NSW TRB Training Limited	441,712	439,122

## 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 instrument 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 incurring a financial loss.

Racing NSW trades only with recognised, creditworthy 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.

	2009 \$	2008 \$
Trade Debtors	2,765,521	2,880,064
Other Receivables	5,720,606	5,480,403
Stakes Payment Debtors	6,986,184	6,538,190
Cash at Bank	24,514,105	13,999,823
Cash on Deposit	29,261,035	10,326,590
Investments	13,728,072	16,519,203
	<b>82,975,523</b>	<b>55,744,273</b>

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. Deposits and term investments are placed with major banks with rating AA or above.	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.

# NOTES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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

#### b) Credit Risk (Cont)

A significant proportion of Trade Debtors relates to BOBS. BOBS trade debtors as at 30 June 2009 were \$2,601,394 (2008: \$2,479,583). The Board believes the credit risk is negligible due to control over future winnings attributable to these debtors.

A significant proportion of Other Receivables comprise amounts receivable from the associated entities Racing NSW Country Limited, Racingcorp Pty Limited and Australian Racing Board Limited. The receivables as at 30 June 2009 were \$3,313,791 (2008:\$3,510,212), \$91,418 (2008:\$nil) and \$930,703 (2008:\$579,908) 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.

#### 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 prize money 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 \$
<b>2009 Trade and Other Receivables ageing are as follows:</b>					
Maximum Exposure - Trade Debtors	2,834,318	2,333,320	24,673	6,022	470,303
Maximum Exposure - Stakes Payment Debtors	6,986,184	6,986,184	-	-	-
Maximum Exposure - Other Receivables	5,720,606	5,720,606	-	-	-
	<b>15,541,108</b>	<b>15,040,110</b>	<b>24,673</b>	<b>6,022</b>	<b>470,303</b>
Amount past due but not considered Impaired	432,201	-	24,673	6,022	401,506
Amount past due considered Impaired	68,797	-	-	-	68,797
	<b>500,998</b>	<b>-</b>	<b>24,673</b>	<b>6,022</b>	<b>470,303</b>
Impairment provision	(68,797)	-	-	-	(68,797)
<b>2008 Trade and Other Receivables ageing are as follows:</b>					
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	-	-	-
	<b>15,006,571</b>	<b>14,548,115</b>	<b>68,872</b>	<b>6,320</b>	<b>383,264</b>
Amount past due but not considered Impaired	350,541	-	68,872	6,320	275,349
Amount past due considered Impaired	107,915	-	-	-	107,915
	<b>458,456</b>	<b>-</b>	<b>68,872</b>	<b>6,320</b>	<b>383,264</b>
Impairment provision	(107,915)	-	-	-	(107,915)

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 are 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.

	2009 \$	2008 \$
<b>Opening Balance</b>	107,915	213,426
Provision for Doubtful Receivables	-	-
Receivables written off during the year	(10,974)	(30,142)
Reversal of amount provided	(28,144)	(75,369)
<b>Closing Balance</b>	<b>68,797</b>	<b>107,915</b>

2009                      2008  
\$                              \$

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

### b) Credit Risk (Cont)

#### 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	53,775,140	24,326,413
ANZ Wholesale Investment Trust	13,728,072	16,519,203
<b>Total</b>	<b>67,503,212</b>	<b>40,845,616</b>

### 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 was 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 - 2009

	Carrying Amount \$	Contractual Cash Flows \$	< 6 Months \$	6-12 Months \$	1-4 years \$
Trade and Other Payables	2,633,054	2,633,054	2,633,054	-	-
Stakes Payment Creditors	6,807,392	6,807,392	6,807,392	-	-
Breeders and Owners Bonus Schemes	15,386,336	15,386,336	5,911,398	4,881,106	4,593,832
Race Fields	31,190,154	31,190,154	31,190,154	-	-
Borrowings	-	-	-	-	-
<b>Total</b>	<b>56,016,936</b>	<b>56,016,936</b>	<b>46,541,998</b>	<b>4,881,106</b>	<b>4,593,832</b>

#### Maturity Analysis for Financial Liabilities - 2008

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 Owners Bonus Schemes	15,201,261	15,201,261	5,158,138	5,158,139	4,884,984
Race Fields	-	-	-	-	-
Borrowings	991,009	991,009	-	-	991,009
<b>Total</b>	<b>28,638,898</b>	<b>28,638,898</b>	<b>17,604,766</b>	<b>5,158,139</b>	<b>5,875,993</b>

# NOTES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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

#### c) Liquidity Risk (Cont.)

##### Economic Dependency

Racing NSW received 25.09% (2008: 29.29%) 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 includes interest rate risk and price risk and 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 received 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.

2009	Effective Weighted Average Interest Rates	Floating Interest Rate \$	Fixed Interest Maturing < 1 year \$	Non Interest Bearing \$	Total \$
<b>Financial Assets:</b>					
<b>Loans and Receivables</b>					
Cash at Bank	2.838%	24,513,605	-	-	24,513,605
Cash on Deposit	3.200%	-	29,261,035	-	29,261,035
Receivables	-	-	-	15,472,311	15,472,311
<b>Total Loans and Receivables</b>		<b>24,513,605</b>	<b>29,261,035</b>	<b>15,472,311</b>	<b>69,246,951</b>
<b>Financial Assets designated at Fair Value through the Income Statement</b>					
Investments		-	-	13,728,072	13,728,072
<b>Total Financial Assets designated at Fair Value through the Income Statement</b>		<b>-</b>	<b>-</b>	<b>13,728,072</b>	<b>13,728,072</b>
<b>Total Financial Assets</b>		<b>24,513,605</b>	<b>29,261,035</b>	<b>29,200,383</b>	<b>82,975,023</b>
<b>Financial Liabilities:</b>					
Breeders and Owners Bonus Scheme	-	-	-	15,386,336	15,386,336
Trade and Other Payables	-	-	-	40,630,600	40,630,600
<b>Total Financial Liabilities measured at amortised cost</b>		<b>-</b>	<b>-</b>	<b>56,016,936</b>	<b>56,016,936</b>



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

### c) Market Risk (Cont.)

2008	Effective Weighted Average Interest Rates	Floating Interest Rate \$	Fixed Interest Maturing < 1 year \$	Non Interest Bearing \$	Total \$
<b>Financial Assets:</b>					
<b>Loans and Receivables</b>					
Cash at Bank	6.997%	13,999,823	-	-	13,999,823
Cash on Deposit	7.203%	-	10,326,590	-	10,326,590
Receivables	-	-	-	14,898,657	14,898,657
<b>Total Loans and Receivables</b>		<b>13,999,823</b>	<b>10,326,590</b>	<b>14,898,657</b>	<b>39,225,070</b>
<b>Financial Assets designated at Fair Value through the Income Statement</b>					
Investments		-	-	16,519,203	16,519,203
<b>Total Financial Assets designated at Fair Value through the Income Statement</b>		<b>-</b>	<b>-</b>	<b>16,519,203</b>	<b>16,519,203</b>
<b>Total Financial Assets</b>		<b>13,999,823</b>	<b>10,326,590</b>	<b>31,417,860</b>	<b>55,744,273</b>
<b>Financial Liabilities:</b>					
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
<b>Total Financial Liabilities measured at amortised cost</b>		<b>-</b>	<b>-</b>	<b>28,638,898</b>	<b>28,638,898</b>

### 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 2009, the net profit impact for a 100 basis points movement in interest rates would be \$537,746 (2008: \$243,264)

2009	Current Weighted Average Rate	Amount \$	100 basis points Increase in Interest Rate \$	100 basis points Decrease in Interest Rate \$
Cash at Bank	2.838%	24,513,605	245,136	(245,136)
Cash on Deposit	3.200%	29,261,035	292,610	(292,610)
<b>Total</b>		<b>53,774,640</b>	<b>537,746</b>	<b>(537,746)</b>
<b>2008</b>				
Cash at Bank	6.997%	13,999,823	139,998	(139,998)
Cash on Deposit	7.203%	10,326,590	103,266	(103,266)
<b>Total</b>		<b>24,326,413</b>	<b>243,264</b>	<b>(243,264)</b>

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.

# NOTES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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

#### c) Market 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 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 2009, the net profit impact for a 5% movement in the unit price would be \$686,404 (2008: \$825,960)

2009	Current Units	Current Unit Price \$	Base Value \$	5% Increase in Unit Price \$	5% Decrease \$
ANZ Wholesale Investment Trust	20,414,704	0.67246	13,728,072	686,404	(686,404)

2008	Current Units	Current Unit Price \$	Base Value \$	5% Increase in Unit Price \$	5% Decrease \$
ANZ Wholesale Investment Trust	17,915,346	0.92207	16,519,203	825,960	(825,960)

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 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)

#### c) Market 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 General Manager - Insurance 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 General Manager - Insurance is a practising lawyer. 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:

- the interest rate used for discounting is the published ANZ Reference Rate as at 30 June each year. 2009: 9.25% (2008: 11.75%)
- payments are made evenly throughout the period.
- BOBS has been discounted over 4 years (2008: 4 years) due to the nature of the BOBS agreement.
- Borrowings has been discounted over 4 years (2008: 5 years) due to the nature of the agreements with RISA.

	Fair Value	2009 Carrying Value	Variance	Fair Value	2008 Carrying Value	Variance
	\$	\$	\$	\$	\$	\$
<b>Financial Assets:</b>						
<b>Loans and Receivables</b>						
Cash at Bank	24,513,605	24,513,605	-	13,999,823	13,999,823	-
Cash on Deposit	29,261,035	29,261,035	-	10,326,590	10,326,590	-
Receivables	15,472,311	15,472,311	-	14,898,657	14,898,657	-
<b>Total Loans and Receivables</b>	<b>69,246,951</b>	<b>69,246,951</b>	<b>-</b>	<b>39,225,070</b>	<b>39,225,070</b>	<b>-</b>
<b>Financial Assets designated at Fair Value through the Income Statement</b>						
Investments	13,728,072	13,728,072	-	16,519,203	16,519,203	-
<b>Total Financial Assets designated at Fair Value through the Income Statement</b>	<b>13,728,072</b>	<b>13,728,072</b>	<b>-</b>	<b>16,519,203</b>	<b>16,519,203</b>	<b>-</b>
<b>Total Financial Assets</b>	<b>82,975,023</b>	<b>82,975,023</b>	<b>-</b>	<b>55,744,273</b>	<b>55,744,273</b>	<b>-</b>
<b>Financial Liabilities:</b>						
Borrowings	-	-	-	922,298	991,009	(68,711)
Breeders and Owners Bonus Scheme	15,176,244	15,386,336	(210,092)	14,919,879	15,201,261	(281,382)
Trade and Other Payables	40,630,600	40,630,600	-	12,446,628	12,446,628	-
<b>Total Financial Liabilities measured at amortised cost</b>	<b>55,806,844</b>	<b>56,016,936</b>	<b>(210,092)</b>	<b>28,288,805</b>	<b>28,638,898</b>	<b>(350,093)</b>

# NOTES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 \$	2008 \$
<b>NOTE 30: INSURANCE ACTIVITIES</b>		
Premium revenue	8,728,735	8,103,699
Reinsurance recoveries and other recoveries revenue	206,542	664,604
Other Income	110,146	31,073
	<b>9,045,423</b>	<b>8,799,376</b>
Interest Income	599,212	666,757
Movement in market value of Investment Fund	(2,791,131)	(2,162,842)
	<b>(2,191,919)</b>	<b>(1,496,085)</b>
Underwriting expenses	1,085,905	1,082,504
Direct claims expense	11,442,961	12,955,913
Outwards reinsurance premium expense	471,850	512,334
	<b>13,000,716</b>	<b>14,550,751</b>
Underwriting result for the financial year excluding investments revenue and expense	(3,955,293)	(5,751,375)
<b>Investments</b>		
ANZ Trust	13,728,072	16,519,203
	<b>13,728,072</b>	<b>16,519,203</b>
<b>Operating Assets</b>		
Bank	12,223,775	10,315,214
Bank guarantee	-	65,749
	<b>12,223,775</b>	<b>10,380,963</b>
<b>Total Assets</b>		
	<b>25,951,847</b>	<b>26,900,166</b>
<b>Liabilities</b>		
Outstanding claims	36,298,170	32,237,000
Unearned Premiums	259,450	205,750
	<b>36,557,620</b>	<b>32,442,750</b>
Refer to Note 17 for bank guarantee and other information relating to Workers Compensation Provision.		
<b>a) Outstanding Claims</b>		
Gross undiscounted claim liability	54,446,200	38,282,000
Discount to present value	(22,649,900)	(11,306,000)
Third party recoveries	(501,300)	(97,000)
Reinsurance recoveries	(1,055,600)	(1,107,000)
Central estimate of the expected present value of future payments for claims incurred	30,239,400	25,772,000
Prudential margin	6,058,770	6,465,000
	<b>36,298,170</b>	<b>32,237,000</b>
Current	6,617,670	6,920,973
Non-current	29,680,500	25,316,027
	<b>36,298,170</b>	<b>32,237,000</b>

The average weighted term to settlement of the outstanding liabilities is 12.3 years (2008: 5.2 years).

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

	2009		2008	
	Next Year	Thereafter	Next Year	Thereafter
Inflation rate	4.25%	4.25%	4.70%	5.00%
Discount Rate	5.70%	5.70%	6.90%	6.80%

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

	2009		2008	
	Current Year Incurred	Reassess Prior Years	Current Year Incurred	Reassess Prior Years
	\$	\$	\$	\$
Gross undiscounted incurred claims	17,342,000	8,151,000	9,787,000	2,928,000
Undiscounted reinsurance & other recoveries	(22,000)	(972,000)	(21,000)	18,000
<b>Net undiscounted incurred claims</b>	<b>17,320,000</b>	<b>7,179,000</b>	<b>9,766,000</b>	<b>2,946,000</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 30: INSURANCE ACTIVITIES (CONT.)

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

	2009		2008	
	Current Year Incurred \$	Reassess Prior Years \$	Current Year Incurred \$	Reassess Prior Years \$
Discounting of incurred claims	(5,357,000)	(7,699,000)	(2,094,000)	46,000
Discounting recoveries	8,000	450,000	5,000	(1,000)
	<b>11,971,000</b>	<b>(70,000)</b>	<b>7,677,000</b>	<b>2,991,000</b>
Gross discounted incurred claims	11,985,000	452,000	7,693,000	2,974,000
Discounted reinsurance & other recoveries	(14,000)	(522,000)	(16,000)	17,000
<b>Net discounted incurred claims</b>	<b>11,971,000</b>	<b>(70,000)</b>	<b>7,677,000</b>	<b>2,991,000</b>

The claim cost incurred consists of paid to date plus estimate of outstanding liabilities plus claim management expenses, being 10% of the gross discounted liability.

#### c) Claim Development

Claims cost estimate	Prior \$	Accident Year					2009 \$	Total \$
		2005 \$	2006 \$	2007 \$	2008 \$			
As at June 2008	123,840,881	7,632,946	9,282,632	9,734,227	10,897,559	-		
As at June 2009	124,694,175	8,247,049	9,074,811	9,513,161	10,437,680	13,322,481		
Current estimate of claims cost	124,694,175	8,247,049	9,074,811	9,513,161	10,437,680	13,322,481	175,289,357	
Cumulative payments	(110,163,315)	(4,006,726)	(4,268,997)	(3,752,970)	(3,867,550)	(2,530,715)	(128,590,273)	
	<b>14,530,860</b>	<b>4,240,323</b>	<b>4,805,814</b>	<b>5,760,191</b>	<b>6,570,130</b>	<b>10,791,766</b>	<b>46,699,084</b>	
Effect of discounting	(5,979,818)	(1,915,869)	(2,135,451)	(2,500,555)	(2,691,466)	(3,985,589)	(19,208,748)	
<b>Discounted central estimate</b>	<b>8,551,042</b>	<b>2,324,454</b>	<b>2,670,363</b>	<b>3,259,636</b>	<b>3,878,664</b>	<b>6,806,177</b>	<b>27,490,336</b>	
Claims handling expense	855,104	232,445	267,036	325,964	387,867	680,648	2,749,064	
Risk margin	1,892,119	511,386	587,480	717,120	853,306	1,497,359	6,058,770	
<b>Present value recognised in the statement of financial position</b>	<b>11,298,265</b>	<b>3,068,285</b>	<b>3,524,879</b>	<b>4,302,720</b>	<b>5,119,837</b>	<b>8,984,184</b>	<b>36,298,170</b>	

This table shows the way in which the cost of claims for each accident year has developed over time.

#### d) Maturity Analysis for Outstanding Claims

	All Years \$	< 1 year \$	1 - 5 years \$	> 5 years \$
Workers Compensation Claim Payments	46,700,000	5,300,000	11,500,000	29,900,000

This table shows the maturity analysis for the remaining contractual maturities of the workers compensation liabilities. The management of insurance risk and liquidity risk are disclosed in Note 28. Amounts shown are undiscounted and exclude claims handling expenses.

### 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 Racing NSW'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.

On 1st July 2008 RISA purchased the Thoroughbred Trainers Service Centre (TTSC) from Racing NSW. The net funding commitment was reduced by \$200,000. As a result of this transaction there was a profit on sale after transferring the assets of TTSC to RISA of \$194,092.

# 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 2009 and its performance for the year ended on that date.
  - (ii) are in accordance with the Thoroughbred Racing Act 1996 (NSW) and comply with Accounting Standards.
- (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 A Bell  
**Deputy Chairman**  
Dated at Sydney this 9th October, 2009

Mr P V'landys  
**Chief Executive**



**BDO Kendalls**

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## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF THE NSW THOROUGHBRED RACING BOARD

We have audited the accompanying financial report of Racing NSW, which comprises the balance sheet as at 30 June 2009 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.

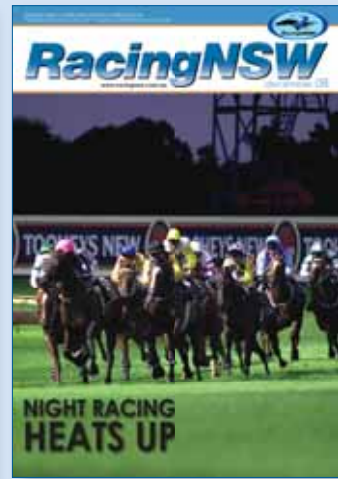
### **Auditor's Opinion**

In our opinion the financial report presents fairly, in all material respects, the financial position of Racing NSW as of 30 June 2009 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 9th day of October, 2009.





## Racing NSW

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