



2012



ANNUAL REPORT

MISSION

**MAINTAIN AN
EFFECTIVE REGULATORY
AND GOVERNANCE
FRAMEWORK**

**MAXIMISE THE OPPORTUNITY FOR
REINVESTMENT**

**PROVIDE A PLATFORM FOR INCREASED
PARTICIPATION**

OBJECTIVES

INCREASE PRIZEMONEY

**DEVELOP A MORE SOPHISTICATED
FUNDING MODEL**

**MAXIMISE THE INCOME EARNED FROM
WAGERING**

**INVOKE CONSUMER CONFIDENCE AND LIFT THE
INDUSTRY'S PROFILE**

EXPAND ANIMAL WELFARE STRATEGIES

IMPLEMENT THE OPTIMAL RACING SCHEDULE

SHOWCASE COUNTRY RACING

INTRODUCE REGIONAL CONCEPTS

STIMULATE THE BREEDING SECTOR

**IMPROVE EFFICIENCIES AND
MAXIMISE COST SAVINGS**

Contents

4 Chairmans Message	36 Review of Operations - Media & PR
6 Chief Executive's Report	40 External Relations
8 Race Dates	41 Industry Associations
12 Review of Operations - Finance	49 Corporate Structure
20 Review of Operations - Racing	51 Organisational Structure
26 Racing Review	52 Corporate Governance
32 Review of Operations - Integrity	54 Financial Statements



Design & Production	Availability
PMG Media Pty Ltd	The 2012 Harness Racing NSW Annual Report is available on the Harness Racing NSW website www.hrnsw.com.au
Text & Photography	
All text & photography copyright of Harness Racing NSW 2012	

“

In summary, Harness Racing NSW experienced a major high and a devastating low in FY12. But despite the controversy and the unwanted media, I am confident that it will be a year we can look back on as pivotal to economy of the industry and groundbreaking for its integrity.”



Chairman's Message

Friday 30 March was a watermark moment for the harness racing industry in NSW when the High Court of Australia dismissed the challenges to Race Fields Legislation by Betfair and Sportsbet. The decision is significant in many ways, but most importantly it provides some certainty around our future funding model.

TAB distribution has remained stagnant over the past six years and is significantly down in real terms. Since 2006 the fissure between the Consumer Price Index and TAB distribution has widened to 20% putting significant pressure on the return to owners and participants, although Harness Racing NSW has still been able to increase prizemoney by 13% during that time

Race Fields fees will be used to alleviate any remaining disparity. In FY12 Harness Racing NSW collected over \$6 million in Race Fields which equates to approximately 15% of our total income. But it is important that we persist in this regard as pressure for the wagering dollar is immense and customer preferences are changing.

The explosion of fixed odds betting highlights such a shift. Tabcorp continues to expand its fixed odds options and for many of our meetings it accounts for 20-25% of the total volume of turnover through the NSW TAB.

But the Race Fields victory allows us to do much more than simply increase prizemoney. Additional income has also been set aside for breeding, marketing and integrity initiatives. Combined with the sale of Harold Park, the successful Race Fields outcome leaves Harness Racing NSW as the custodians of \$40 million. How these funds are utilised in the future will form part of the new Strategic Plan which is due for release in early 2013.

While the Race Fields judgment represents our apex in FY12, the police investigation into the harness racing industry and the arrests made in connection is obviously the counter-point. It was a very difficult period for the industry, but on the positive side it enabled Harness Racing NSW to develop a close working relationship with the Police. This, in conjunction with a complete and comprehensive overhaul of our regulatory functions, including a doubling of the integrity budget, provides a strong platform for the future.

On the track, the amazing warhorse Smoken Up continued his Menangle Park dominance by defending both his Miracle Mile and Len Smith Mile crowns.

Our two most important brands – the Breeders Challenge and Carnival of Cups – continued to deliver outstanding results. A number of clubs conducted TAB race meetings for the first time, or for the first time in a significant period, as part of the Carnival of Cups roster. The Breeders Challenge concept has unquestionably lifted the quality of stallions standing in NSW and the resultant progeny.

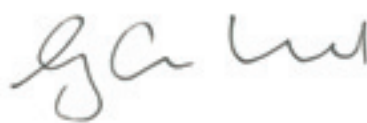
For the third consecutive season in NSW foal numbers increased defying national and indeed international trends.

Kerry Ann Turner was selected to represent NSW at the Australasian Young Drivers Championship in Perth. Ms Turner is a hard working young lady who has proved to be both a very talented trainer and driver.

We continue to expand our IT and social media presence with Trots TV leading the way. The visitation and popularity of Trots TV has been extremely encouraging and the growth in both facebook and twitter is unsurprising.

In summary, Harness Racing NSW experienced a major high and a devastating low in FY12. But despite the controversy and the unwanted media, I am confident that it will be a year we can look back on as pivotal to the industry and groundbreaking for its integrity.

In closing I'd like to thank the outgoing Board Members Rex Horne, Rob Nalder and Les Bentley, the ongoing Board Member Chris Edwards and the new Board Members Graham Kelly, Alex Smith and Rod Smith for their support, energy and contribution over the past 12 months.



GRAEME CAMPBELL
CHAIRMAN

Chief Executive's Report

The financial year commenced with an expectation the Race Fields litigation would be resolved, thus providing certainty for our future funding model. On 30 March the full bench of the High Court delivered a unanimous decision allowing Harness Racing NSW to charge a turnover based product fee to all wagering operators.

On current projections Harness Racing NSW expects to collect \$6 million annually from Race Fields fees which represent approximately 15% on our annual income (excluding interest).

Race Fields earnings were used, in the first instance, to pay our audio-visual suppliers with the remaining funds distributed using the following formula; 60% for prizemoney, 25% for breeding incentives and 15% for marketing. Of the prizemoney component, 25% is allocated to the Principal Club and the remaining 75% to the other country and provincial clubs.

It should be noted that this blueprint will change next financial year to allow for an additional \$700,000 to be set aside for integrity functions. Importantly, Harness Racing NSW carries forward over \$10 million in Race Fields income in Surplus Funds which were collected during the litigation period, but not utilised.

Although TAB Distribution has declined by almost 20% in real terms since 2006, the introduction and expansion of Fixed Odds betting on harness racing through TAB Sportsbet has been encouraging. As customer preferences shift, pari-mutuel betting continues to have its challenges, so the Fixed Odds offerings are important for both total turnover and revenue.

Unfortunately harness racing attracted unwanted attention during the year after it was alleged two Harness Racing NSW Stewards acted corruptly in conjunction with a number of participants by providing vital swab information for financial gain. It was a traumatic period for the industry which left it reeling in the wake of demoralising media coverage and brand harming revelations.

Harness Racing NSW reacted swiftly to the allegations requesting assistance from the NSW Police Force and

setting aside a \$1 million Emergency Integrity Fund for an internal investigation which was sourced from the Racecourse Development Fund (RDF) interest earnings. While the scandal was an untimely and unfortunate occurrence, it did provide a framework for a future Memorandum of Understanding with the NSW Police Force and a clear strengthening of regulatory controls.

In the months following the corruption allegations, there were a disturbing number of positive swab results. Whether this can be attributed to an increase in our testing numbers or the strategic expansion of our testing regime, there was a significant decline in positive swabs in the second half of the financial year.

The Carnival of Cups continued its expansion with numerous country clubs given the opportunity to conduct their first TAB/Sky meeting or, in some cases, their first TAB/Sky meeting for a considerable period. Harness Racing NSW recognises the importance country harness racing plays in the fabric of the wider industry, especially the smaller clubs.

Not surprisingly, the Carnival of Cups provided many memorable moments commencing with the Canola Cup at Eugowra – the traditional opening of the series – reaching all points of the state including Broken Hill.

Harness Racing NSW received \$650,000 from the State Government as part of the Coalition's election promise for country racing. We added \$1.3 million from the RDF to complete a significant and much needed roll out of plant and equipment across all clubs and training facilities.

In order to maintain the momentum over the next three years, all clubs and training facilities will be eligible for vital funding on an annual basis. The Harness Racing NSW Board developed a two-year infrastructure plan which includes possible new tracks at Bathurst, Tamworth and Wagga, training centres at Menangle, Hawkesbury and Goulburn, a track and lighting upgrade at Newcastle and a new stable complex at Penrith, although the expenditure for these projects will occur in future years.

“ The financial year commenced with an expectation the Race Fields litigation would be resolved, thus providing certainty for our future funding model. On 30 March the full bench of the High Court delivered a unanimous decision allowing Harness Racing NSW to charge a turnover based product fee to all wagering operators. ”

Due primarily to the sale of Harold Park, Harness Racing NSW currently holds over \$30 million in the RDF, but must ensure those funds are utilised in the industry's best long term interests. When the RDF is combined with the aforementioned Race Fields surplus, Harness Racing NSW is the custodian of more than \$40 million, clearly placing it in the strongest financial position it has been for many years, providing a platform for growth and optimism.

During the year Harness Racing NSW regained full ownership of the office located at 22 Meredith St Bankstown. Following the disbandment of the Greyhound and Harness Racing Regulatory Authority, Harness Racing NSW shared the title with Greyhound Racing NSW and was paying rent to that organisation. The purchase means there is an additional \$2.5 million asset and a significant rental saving for the harness racing industry.

One of the most exciting developments during the year was the announcement that Sydney won the tender to conduct the Inter Dominion for the years 2013-15. A tripartite partnership between Harness Racing NSW, the NSW Harness Racing Club and Destination NSW, the Inter Dominion was launched on 19 June by the Racing Minister, George Souris and will be conducted with a fresh and innovative format.

As a strategy for developing future participants and providing a pathway for those involved in mini trotting, Harness Racing NSW launched maxi trots. Predominantly aimed at 14 and 15 year olds, the concept adds another dimension for those interested in a hands-on involvement

in harness racing at the grass roots level. It is important to recognise the contribution made by Daryll Jackson for his assistance with both mini and maxi trotting initiatives.

I'd like to give a special mention to the Chairman Graeme Campbell, Rex Horne, Rob Nalder, Chris Edwards and Les Bentley who were part of the outgoing industry-elected Board which was replaced in February by the independent Board as per the Harness Racing Act, 2009.

Mr Campbell and Mr Edwards continued on the Board and were joined by Alex Smith, Rod Smith and Graham Kelly. I thank them for their ongoing support and advice.

Additionally, in what was an extremely difficult year, the staff of Harness Racing NSW continued to work hard to accomplish our goals.

Together we look forward to a successful and rewarding 2012/13.



SAM NATI
CHIEF EXECUTIVE OFFICER





- **July 2011**
 - Winter Cup (TPM):** Roman Stride
 - NSW Breeders Challenge Regional Finals (Parkes):** 2yo Fillies – Whispering Lass; 2yo C & G – Major Post; 3yo Fillies – So Surreal; 3yo C & G – Aussieaussiestride; 4yo Mares – Lilac Stride; 4yo E & G – Swing Is The Thing
- **August**
 - Spring Cup (TPM):** Karlooo Mick
- **September**
 - New Season Championship Final (TPM):** Franco Jamar NZ
- **October**
 - Kevin Robinson Memorial (TPM):** Karlooo Mick
- **November**
 - Canola Cup (Eugowra):** Bobbee Dee Dee
 - Franco/Australian Trotters Series Final (TPM):** La Mosca
 - Brian Hancock Cup (TPM):** Karlooo Mick
 - Newcastle Mile:** Raglan NZ
 - PJ Hall Memorial (Penrith):** God Send NZ
 - Coca-Cola Amatii Sprint (TPM):** Franco Jamar NZ
 - Cordina Farms Sprint (TPM):** Mr Feelgood Usa
 - Trotters Mile (TPM):** Miss Warbucks NZ
 - Miracle Mile (TPM):** Smoken Up NZ
 - Bohemia Crystal Free-For-All (TPM):** Washakie NZ
 - Smoken Up Championship Final (TPM):** Lous Lad NZ
 - Iraklis Championship Final (TPM):** Mach Wiper
 - Mount Eden 4yo Championship Final (TPM):** Vladimir The Great NZ

Chokin 3yo Championship Final (TPM): Karloo Kix



M H Treuer Memorial (Bankstown): Washakie NZ

Newcastle Pacing Cup: Mach Wiper (provisional result – appeal pending)

Christmas Gift Final (TPM): UK Connection NZ

Shirley Turnbull Memorial (Bathurst): Lightning Raider NZ



Breeders Plate (Leeton): Knightsmile

Inter City Pace (Maitland): Leituceroocku

Temora Cup: Paleface Jasper

June Cup: Seshny Bromac NZ

Golden Guitar (Tamworth): Tiger Island

Simpson Memorial (TPM): Waldenburg

Teeny Teeny Stakes (TPM): Our Torias Secret NZ

Raith Memorial (TPM): Marquess De Posh NZ

Goulburn Cup: Mach Wiper



Ranji Bill Stakes (TPM): Our Sixpence NZ

NSW Sapling Stakes (TPM): Caesar Augustus

Robin Dundee Stakes (TPM): Torque In Motion

Cordina Farms Pacing Cup (Young): Roman Stride

Linden Huntley Little Memorial C&G Final (Bullii): Knightsmile

Linden Huntley Little Memorial Fillyies Final (Bullii): Perfect Trouble NZ

December

January 2012

February



●
March

- NSW Oaks (TPM): Marquess De Posh NZ
- Ladyship Mile (TPM): Torque In Motion
- Pink Bonnet (TPM): Courageousnquick
- Media Cup FFA (TPM): Captain Joy
- Australian Pacing 3yo C&G Gold Final (TPM): Grand Stride
- Australian Pacing Gold 3yo Fillies Final (TPM): Louvre
- PFD Cup (Penrith): Roman Stride
- Bathurst Gold Tiara: Frith
- Bathurst Gold Crown Final: Ultimate Art
- Bathurst Gold Chalice: Soho Valencia
- Bathurst Gold Bracelet: Hirising
- Bathurst Mayors Cup: Roman Stride

●
April

- Red Ochre Mares Classic (Dubbo): Miss Rockabella NZ
- Renshaw Cup (Penrith): Terrorway NZ
- Hondo Grattan Stakes (TPM): Excel Stride
- Golden Mile (TPM): Captain Joy
- Paleface Adios Stakes (TPM): Hands Christian NZ
- La Coocaracha (Coolamon): Dealornodeal NZ
- NSW Derby (TPM): Smolda
- Len Smith Mile (TPM): Smoken Up NZ
- Chariots Of Fire (TPM): Caribbean Blaster
- Carousel Final (TPM): Vertical



Rod Fitzpatrick Memorial (TPM): Guanranteed



May

Wagga Cup: Marooned

Newcastle Derby: Scandalman

Newcastle Oaks: Marquess De Posh NZ

Schweppes Cup: Western Badger

Trotters Oaks (TPM): Shes An Image

NSW Trotters Derby (TPM): Aldebaran Shades NZ

Joe Ilsley Cup (TPM): Glengowan NZ

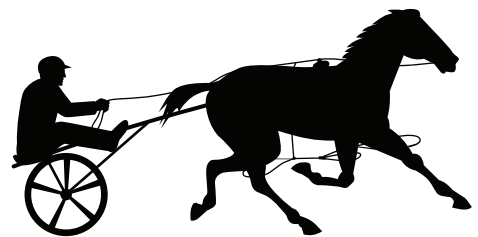


June

Alabar Breeders Challenge Finals (TPM): 2yo C&G – No Ah Saint; 2yo Fillies – Married To The Mob; 3yo C&G – Grand Stride; 3yo Fillies – Louvre

Menangle Trotters Cup: Real Deal Yankee NZ

Menangle Pacers Cup: Our Chain Of Command NZ



Review of Operations – Finance

The 2011/12 Financial Year was a significant one for the harness racing industry. Two events will have a major financial impact on the future direction of the industry.

The successful outcome of the High Court challenge to the Race Fields legislation in favour of both Harness Racing New South Wales and Racing New South Wales adds a significant new stream of income for the industry. For the past three and a half years Harness Racing NSW had been holding the fees paid by the corporate bookmakers in trust pending the outcome of the litigation. Following the decision by the High Court on 30 March 2012, all the revenue held in trust was immediately recognised and all future Race Fields revenue can be used by the industry to supplement prizemoney and other projects as determined by the Board.

The second significant event was the sale of the old Harold Park site by the NSW Harness Racing Club and the repayment of \$25.499m of Interest Free Interminable Loans by the Club.

These monies will also be used for industry related projects, new tracks and infrastructure improvements.

HARNES RACING NSW RESULT

Harness Racing NSW produced a surplus of \$15,468,163 for the year to 30 June 2012.

The result was achieved after including Race Fields revenue of \$22,748,365 which was fully recognised following the successful outcome of the High Court challenge to the Race Fields legislation on 30 March 2012. Interest income of \$2,137,761 was also fully recognised.

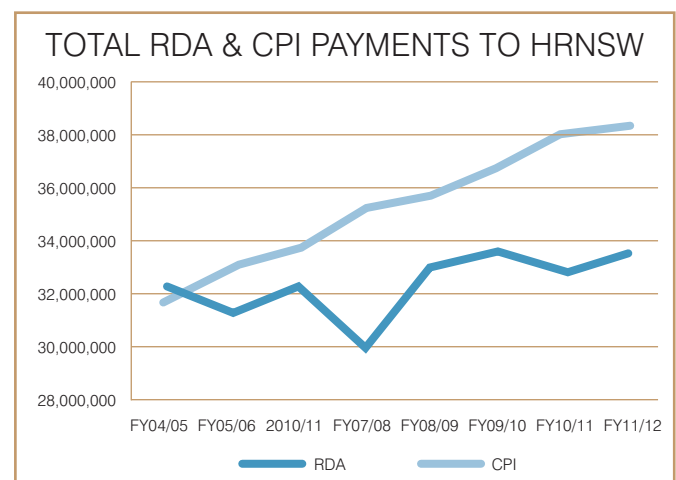
Once the appeal had been determined Harness Racing NSW repaid loans to both the Industry Fund and the Racecourse Development Fund which had been supplementing prizemoney over the past few years. In addition, Harness Racing NSW then commenced paying the video production costs which had previously been paid from the Racecourse Development Fund.

The final TAB Distribution for FY2011/12 of \$33,566,157 was up by \$658,205 or 2.00% on that received during the FY2010/11 financial year. However, it should be noted that the distribution was lower than that received in the FY2009/10 financial year.

TAB Distributions received since FY2004/05 have been:

Year	Distribution Received
2004/05	\$32,304,951
2005/06	\$31,320,691
2006/07	\$32,244,163
2007/08	\$29,977,550
2008/09	\$32,989,364
2009/10	\$33,654,910
2010/11	\$32,907,952
2011/12	\$33,566,157

Based on the FY2011/12 distribution, TAB distributions have only risen by 3.90% since the FY2004/05 financial year, well below CPI levels for the corresponding period which have risen by 20.0%.



Race Fields income was to be allocated as follows:

- (i) Sky Racing Video Costs – approximately \$1.3 million;
- (ii) Prize money increases – 60% of residual
 - (a) 25% to NSWHRC
 - (b) 75% to all other clubs
- (iii) Breeding initiatives – 25% of residual
- (iv) Marketing initiatives – 15% of residual.

This allocation was determined by the Board in 2010 and included in the 2010 to 2013 Strategic Plan. The formula will change during the 2012/13 financial year which will allocate an additional \$700,000 towards integrity related expenses, before prizemoney and other allocations.

Although total Harness Racing NSW expenses increased from \$39,921,792 to \$47,507,501, most operational related expense increases were held within inflation levels or curtailed throughout the year.

Salaries and related expenses decreased slightly during the year mainly as a result of an adjustment to the annual and long service leave provision last year. Travel expenses increased over the year mainly due higher fleet numbers and additional travel throughout the year.

Integrity expenses increased significantly throughout the year in line with Harness Racing NSW's resolution to increase pre and post race testing. Appeal costs, including legal expenses associated with appeals, also increased throughout the year.

From 1 April 2012 Harness Racing NSW began paying Sky Video expenses that had previously been paid by the Racecourse Development Fund. \$3,135,425 was also reimbursed to the Racecourse Development Fund for video expenses incurred by it from the 2008/09 financial year to 30 March 2012.

During the year the Board also resolved to allocate \$1.0m from interest earned on the Racecourse Development Fund towards the special investigation.

Expenses incurred to date on the investigation amounted to \$412,490 which was matched by a corresponding income item.

Finally, in March 2012 Harness Racing NSW regained full ownership of the premises located at 22 Meredith St Bankstown.

Harness Racing NSW received a grant from the Racecourse Development Fund of \$1.3m to purchase the remaining portion of the land and building that was

owned by Greyhound Racing NSW. Prior to the ownership transfer Harness Racing NSW had been paying rent to GRNSW.

The purchase means there is an asset valued at \$2.5 million now on our books and a significant rental saving for the harness racing industry.

INDUSTRY FUND

The Industry Fund receives a set allocation from the TAB Distribution that is used by Harness Racing NSW to finance general activities such as the Breeders Challenge Series, Breeders Challenge Owners Bonus Scheme, the Carnival of Cups series, Trotters Foundation Series, promotion of the industry's Rising Stars, development of both the Mini and Maxi Trots activities and assistance to Industry Associations through promotions and marketing activities.

In FY2011/12 \$2.3 million was paid into the Industry Fund from the TAB Distribution against expenditure for the year of \$3.5 million.

Following a complete review and overhaul of the way in which the Industry Fund was used previously, the allocations which it provides for industry activities have now become a major driver of industry development and a primary tool in revitalising key aspects of the industry such as breeding and promoting country racing.

The majority of Industry Fund expenditure was dedicated to the Breeders Challenge Series and Breeders Challenge Owners Bonus Scheme which are essential to the development of the breeding industry and hence long-term sustainability of racing.

A substantial amount was also directed to the promotion of the Carnival of Cups and Trots TV.

Financial support from the Industry Fund to the Mini-Trotting Association of \$24,063 continued based on the strategic plan developed by Harness Racing NSW and the Association.



Further work was undertaken during the year by the Association in conjunction with Harness Racing NSW to refine the manner in which funding provided was distributed to ensure that mini-trotting membership continues to grow. In the later part of the year Harness Racing NSW arranged for merchandise and clothing to be provided to each mini trot participant.

The Association, in conjunction with Harness Racing NSW, was also a significant contributor to the creation of the Maxi Trots concept which commenced in March 2012.

RACECOURSE DEVELOPMENT FUND

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

In FY2011/12 \$666,141 was provided to the RDF from the TAB Distribution as annual funding.

Following the decision by Sky Racing in FY2008/09 to cease subsidising of the cost of providing vision for harness races, a consensus was reached with clubs that these costs would be met primarily from Race Fields income.

Until the Race Fields decision was decided in late March this year, The Fund had been paying these expenses. Following the successful outcome of the litigation in

favour of Harness Racing NSW all expenses incurred by the Fund since 2008/09 were repaid from Race Fields monies and Harness Racing NSW paid the fees from April 2012 onwards.

In the early part of the year the New South Wales Harness Racing Club repaid an Interest Free Interminable Loan ("IFIL") of \$25,499,783 following the sale of Harold Park. The monies were invested pending the outcome of the Race Fields decision.

During the year the RDF also advanced \$277,078 to various clubs by way of grants or loans. In addition, the fund allocated \$1,269,602 to HRNSW to purchase 22 Meredith St, Bankstown, and a further \$425,106 to complete the purchase of two parcels of land at Goulburn. During the 2010/11 financial Year a grant of \$300,000 was received from the NSW State Government to pay for professional, engineering and local government expenses associated with the development of the new track at Tamworth. To date \$179,128 has been spent on the project.

The Fund also paid for litigation expenses associated with the Belfair and Sportsbet matters. As with the Sky Video fees a consensus was reached with the clubs for expenses to be paid by the Fund. In total the Fund paid \$462,515 of legal expenses over the past four years. Our lawyers are currently undertaking the task of recovering these fees.

As part of the Coalition campaign during the 2011 NSW State Election, a promise of a \$5M grant was made to Country Racing should the Coalition win government.



The \$5M was apportioned between the three racing codes and Harness Racing NSW was allocated \$650,000 for use at its Country based venues. In addition to the grant Harness Racing NSW proposes to use some of the monies received from the sale of Harold Park on infrastructure and equipment.

Harness Racing NSW wrote to all Clubs, excluding the Principal Club, requesting details of their requirements for plant, equipment, track and facility upgrades. The Board of Harness Racing NSW determined that it will supplement the NSW Government's grant of \$650,000 with further grants of approximately \$1.2m.

The total amount to be spent on equipment, tracks and infrastructure is therefore approximately \$1,900,000.

To date five tractors have been purchased and delivered to clubs, while water trucks and building works are in the process of being completed.

All expenditure on equipment and track upgrades should be completed by 30 June 2013.

At the end of June 2012 the Fund had received \$190,000 of the promised \$650,000 from the NSW Government.

In addition to expenditure on infrastructure outlined above, the Board of Harness Racing NSW has determined that all tracks throughout NSW will receive operational funding grants to maintain existing facilities. The amount

of each grant is based on the horse population near each racecourse.

In determining the amount to be allocated to each track, a list of horses at each venue was created from information that Harness Racing NSW had when the budgets were being drawn up.

The information was drawn from the official address where each horse is located. That was then linked to a local council and from there the closest track was determined. Also considered were the supply chain of horses from each track and the running of official trials.

An allocation of \$680,000 from the RDF has been made to be spent on tracks every financial year and will run for a three year period. Clubs can draw down as required or may hold off and request a higher amount in a future year.

Harness Racing NSW recognises that there has been a deficiency in funding for training centres in the past and wants to ensure that adequate facilities are provided for these precincts in the future.

Finally, during the year the Board of Harness Racing NSW determined that \$1.0m would be used from the Racecourse Development Fund to pay the special investigation expenses incurred by Harness Racing NSW. For the period to 30 June 2012 expenditure of \$412,490 was incurred by Harness Racing NSW and a corresponding amount has been accrued in the Fund's financial statements.

BENEVOLENT FUND

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

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

In past years, portions of fines levied on participants for breaches of the Rules of Racing were directed to the Benevolent Fund to grow its reserves.

Harness Racing NSW reintroduced the practice of redirecting fine income to the Benevolent Fund which continued during FY2011/12 until the Fund had reached an acceptable level. These funds will supplement funds secured through the establishment of the Benevolent Fund as a Charitable Fundraising organisation which allows the Fund to conduct fundraising activities under licence as a means of growing its resources and providing assistance to participants.

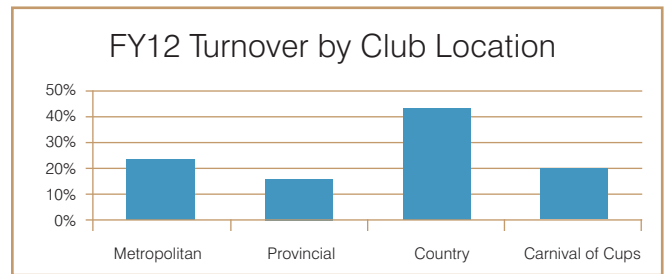
In keeping with confidentiality provisions, Harness Racing NSW does not report on applications received by the Benevolent Fund and amounts disbursed. The operation of the Fund is governed by the Harness Racing Act 2009.

GHRRA FINANCIAL LIABILITIES

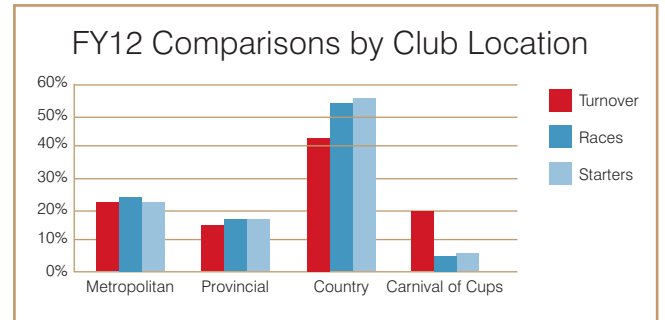
The total amount for GHRRA liabilities and staff transition costs as at 30 June 2012 was \$1.7 million which was met by Harness Racing NSW securing a ten year \$2 million interest-bearing repayable loan from the NSW Government in 2009. During the year Harness Racing NSW repaid a further \$259,000 off this loan.

INDUSTRY FUNDING AND TURNOVER

NSW Harness Racing turnover on NSW harness racing for the year was \$188.9 million down \$3.7 million from the \$192.6 million recorded in FY2010/11.

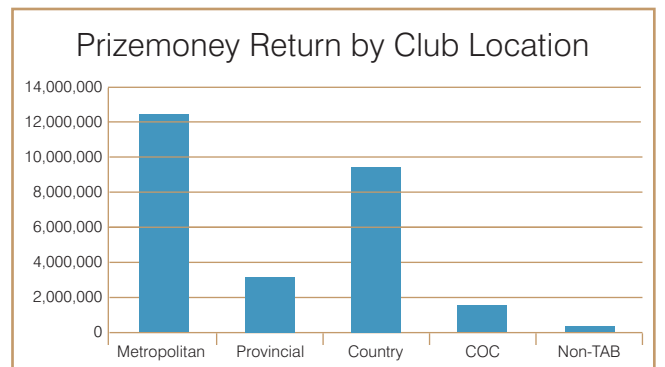


When interstate and international turnover is included, total turnover decreased from \$597.5 million to \$580.0 million (down 2.9%).



When comparing turnover by region, country racing increased by 4.4%. The Carnival of Cups series continued to show the best return against the number of races and starters.

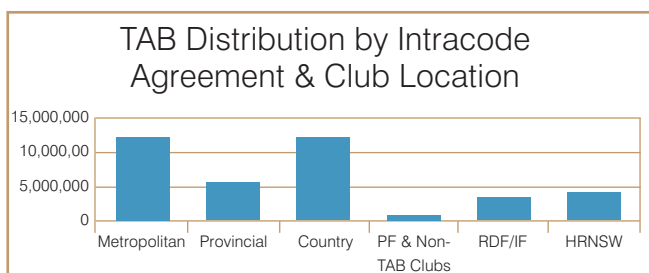
When comparing like for like, turnover per meeting was down 6.0%, however this was predominately due to most



new content being broadcast on Sky 2.

Turnover on the metropolitan meetings (NSWHRC and Menangle HRC) decreased by 10% which was affected by 10 fewer race meetings. When comparing like for like, turnover was down 6.3% per meeting.

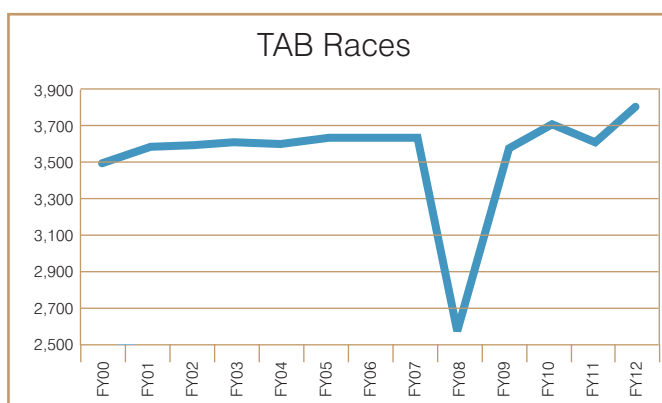
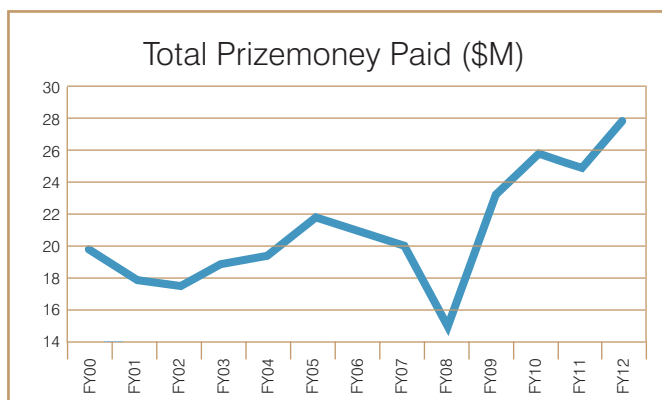
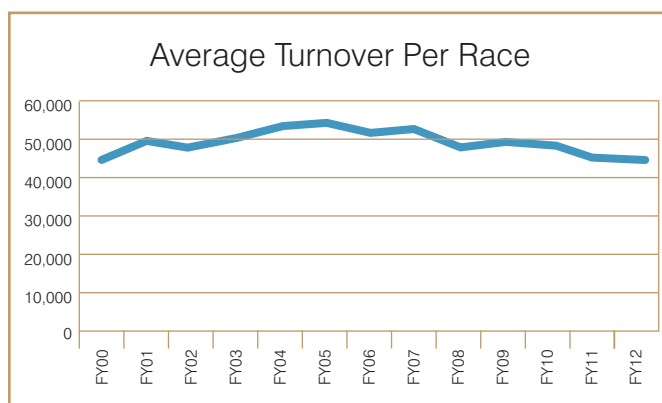
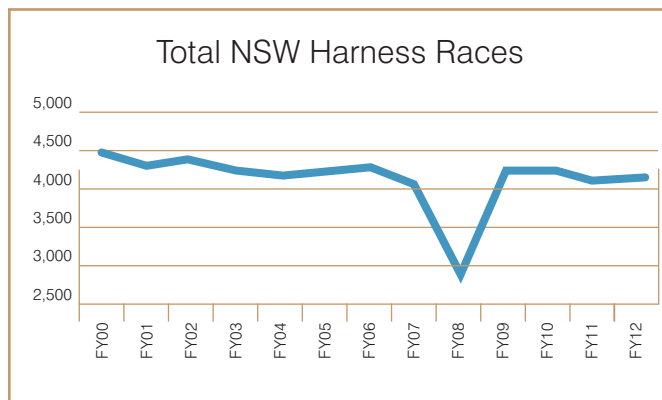
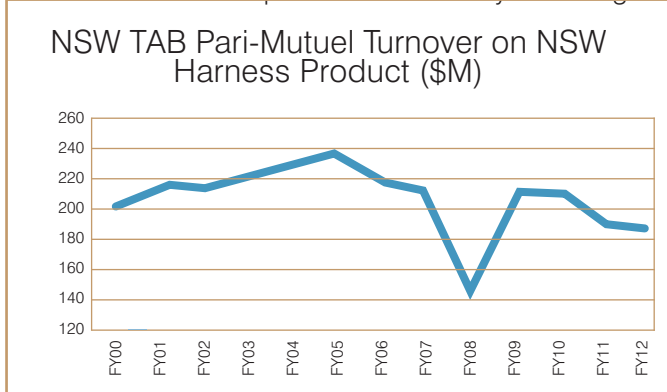
Provincial racing was down 1.1% and was affected by 2 fewer race meetings. Again, when comparing like for like,

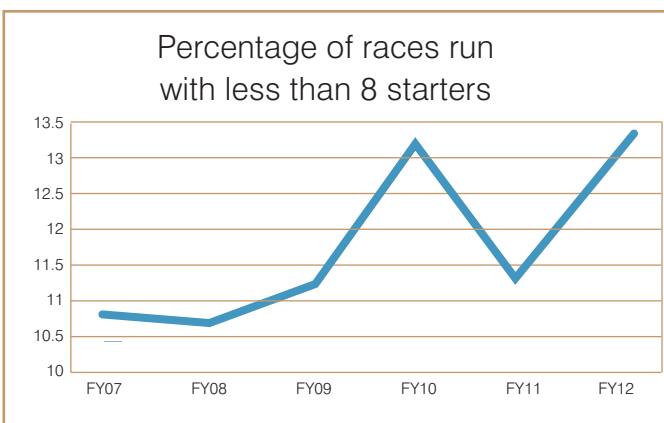
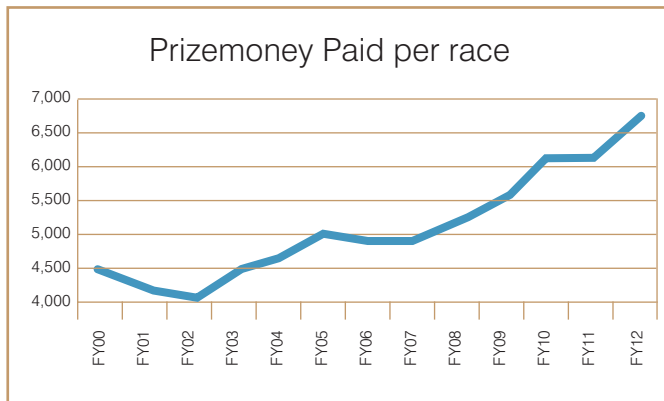


turnover per meeting was up 1.7%.

BERESFIELD AND GOULBURN

The realisation of a commercial benefit from the Beresfield Land in the Hunter region remains on Harness Racing NSW's agenda and continues to be pursued with the assistance of the Newcastle Harness Racing Club and other members of the Beresfield Trust established by Harness Racing NSW to manage the project. During the year no major progress was made in respect of the land. During the FY2012 Harness Racing NSW settled on two parcels of land adjacent to the Goulburn Harness Racing Club track. The land has been purchased to provide facilities for the development of the industry in that region.





CLUB AND ADMINISTRATIVE FUNDING

Harness Racing NSW is responsible for the disbursement of funds received under the *Totalizator Act 1997* to the industry including payments to clubs for prizemoney and administration, funding of general industry activities (Industry Fund) and capital works (Racecourse Development Fund), and funding of the

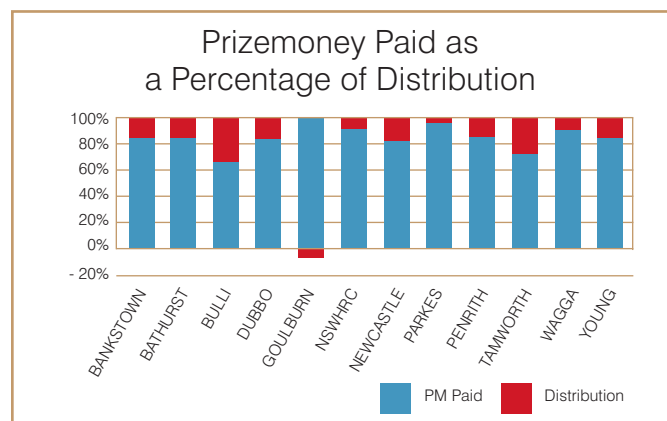
controlling body's (Harness Racing NSW) operating costs.

Funds received from the TAB, commonly referred to as the TAB Distribution, are allocated annually by Harness Racing NSW according to the provisions of the *Intracode Agreement 2004* negotiated between Harness Racing NSW and clubs, and operating budgets prepared by the Controlling Body.

The TAB Distribution for FY2011/12 amounted to \$33.6 million, an increase of \$658,205 on funding received in FY2010/11.

In accordance with the *Harness Racing Act 2009* and the *Intracode Agreement*, a series of provisions were made 'off-the-top' of the Distribution before determination of allocations to clubs.

Before any allocations were made \$259,082 was deducted from the distribution to repay the NSW Treasury loan.



A total of \$3.010 million was then allocated from the TAB Distribution to the Industry Fund (\$2.3 million) and Racecourse Development Fund (\$0.666 million) at the prescribed rates of 7% (including the 1% Carnival of Cups allocation) and 2% respectively. \$3.811 million was provided to Harness Racing NSW as endorsed by the Harness Racing Clubs Committee.

The balance of \$26.4 million remaining after the 'off-the-top' funding provisions was allocated to clubs to fund racing prizemoney and club operating costs.



Funding of \$4.152m was distributed to the industry from Race Fields income.

and photo finish equipment which are used throughout the state for race meetings.

INSURANCE

All trainers and registered harness racing clubs are covered by relevant insurance policies.

All trainers, drivers, stablehands, attendants, voluntary workers and mini trot participants are covered by a Personal Accident policy.

A Public and Products Liability policy was also taken out to cover participants and clubs for potential claims made against them. Allocation of the premium was made on the basis of past claims and other relevant criteria.

Harness Racing NSW did not participate in the national insurance scheme run by Harness Racing Australia during FY2011/12 nor will it participate in the scheme during 2012/13. This is because the cover and pricing obtained by our insurance brokers, OAMPS, was superior to that provided by Harness Racing Australia. However the situation will be reviewed next year.

Other policies are purchased by Harness Racing NSW to cover the building at Meredith Street, the motor vehicle fleet, directors and equipment such as trailers

STAKES PAYMENT SYSTEM

During the year the Stakes Payment System underwent one enhancement.

The enhancement involved the creation of a facility to enable participants to pay their statement balances online by credit card.

During the forthcoming year a review of the system will be undertaken to ascertain whether to remain on the current platform or move to the system adopted by some other states.

RACING INTEGRITY

In accordance with Section 24 of the *Harness Racing Bill 2009*, Harness Racing NSW appointed "a person who, in the opinion of Harness Racing NSW, has suitable legal qualifications to hold the office of Harness Racing Integrity Auditor"

During the year Messrs John Costigan, David Landa and Graham Gorrie have fulfilled this role.

Review of Operations - Racing

NSW BREEDERS CHALLENGE MAJOR RACE SERIES

The Alabar Breeders Challenge series again attracted star juveniles to the 32 heats conducted around the state with 8 semis and 4 finals run at the country's premier track in late June.

TWO YEAR OLD COLTS & GELDINGS

11 races in total and \$295,000 in prizemoney paid.

Races	P/M per race	Total P/M
8 Heats	\$15,000	\$120,000
2 Semis	\$25,000	\$50,000
1 Final	\$125,000	\$125,000

The Final held at Tabcorp Park Menangle on 24 June 2012 was won on protest by NO AH SAINT, Bred by J R Evans, L A Timmins, M Evans, S M Hinkley, Owned by J R Evans, M Evans, S M Hinkley, L A Timmins, D L Hardie, L A Philpott, Trained by Paul Fitzpatrick and Driven by Gavin Fitzpatrick.

TWO YEAR OLD FILLIES

11 races in total and \$295,000 in total prizemoney paid.

Races	P/M per race	Total P/M
8 Heats	\$15,000	\$120,000
2 Semis	\$25,000	\$50,000
1 Final	\$125,000	\$125,000

The Final held at Tabcorp Park Menangle on 24 June 2012 was won by MARRIED TO THE MOB, Bred and Owned by Sloys Company Pty Ltd, Trained by Susan Hunter and Driven by Luke McCarthy.

THREE YEAR OLD COLTS & GELDINGS

11 races in total and \$295,000 in total prizemoney paid.

Races	P/M per race	Total P/M
8 Heats	\$15,000	\$120,000
2 Semis	\$25,000	\$50,000
1 Final	\$150,000	\$150,000

The Final held at Tabcorp Park Menangle on 24 June 2012 was won by GRAND STRIDE, Bred by Brooklyn Lodge Aberdeen Pty Ltd, Owned by E & M Stride Trained and driven by Luke McCarthy.

THREE YEAR OLD FILLIES

11 races in total and \$295,000 in total prizemoney paid.

Races	P/M per race	Total P/M
8 Heats	\$15,000	\$120,000
2 Semis	\$25,000	\$50,000
1 Final	\$125,000	\$125,000

The Final held at Tabcorp Park Menangle on 24 June 2012 was won by LOUVRE, Bred and Owned by Sloys Company Pty Ltd, Trained by Susan Hunter and Driven by Luke McCarthy.

STALLION PERFORMANCE

Below are tables outlining the total number of wins for sires and broodmare sires during the Alabar Breeders Challenge Race Series in 2012:

Sire	Wins*
ART MAJOR USA	11
MODERN ART USA	5
ARMBRO OPERATIVE USA	4
ARTISCAPE USA	3
RIVERBOAT KING USA	3
ACES N SEVENS USA	2
BETTORS DELIGHT USA	2
MCARDLE USA	2
PRESIDENTIAL BALL USA	2

Broodmare Sire	Wins*
FAKE LEFT USA	5
GOLDEN GREEK USA	3
GUIDA USA	3
PANORAMA USA	3
SAFELY KEPT USA	3
ARMBRO OPERATIVE USA	2
PRESIDENTIAL BALL USA	2
SIGN OFF USA	2
TOMPKINS HANOVER USA	2
TROUBLEMAKER USA	2
VANSTON HANOVER USA	2
VINTNER USA	2

* Minimum 2 wins

2:00.0 PERFORMERS

DATE	TRACK	DIST	HORSE	Mile Rate
24-06-2012	TABCORP PARK MENANGLE	1609	NO AH SAINT	1.54.316
24-06-2012	TABCORP PARK MENANGLE	2300	GRAND STRIDE	1.55.190
09-06-2012	TABCORP PARK MENANGLE	1609	HOME OF THE BRAVE	1.55.932
24-06-2012	TABCORP PARK MENANGLE	1609	MARRIED TO THE MOB	1.56.139
21-05-2012	TABCORP PARK MENANGLE	1609	BLISSFULL GUY	1.56.603
09-06-2012	TABCORP PARK MENANGLE	1609	FRITH	1.57.331
09-06-2012	TABCORP PARK MENANGLE	1609	JUST A BIT SASSY	1.57.332
09-06-2012	TABCORP PARK MENANGLE	1609	MODERN MAX	1.57.409
16-06-2012	TABCORP PARK MENANGLE	2300	GRAND STRIDE	1.57.775
21-05-2012	TABCORP PARK MENANGLE	1609	TARELLE	1.57.967
24-06-2012	TABCORP PARK MENANGLE	2300	LOUVRE	1.58.139
04-05-2012	NEWCASTLE	2030	WALDENBURG	1.58.346
08-06-2012	WAGGA	2165	SOHO VALENCIA	1.58.668
14-05-2012	GOULBURN	2240	WALDENBURG	1.58.827
31-05-2012	PENRITH	1720	MUST BE NICE	1.59.325
16-06-2012	TABCORP PARK MENANGLE	2300	LOUVRE	1.59.621
08-06-2012	WAGGA	2165	DANCE FOR MADI	1.59.687
14-05-2012	GOULBURN	2240	WHISPERING LASS	1.59.871
01-06-2012	WAGGA	2165	MAJOR POST	1.59.988



BREEDERS CHALLENGE REGIONAL FINALS

The second ever series of the Empire Stallions NSW Breeders Challenge Regional Finals were conducted at Parkes on 30 July. There were six \$20,000 finals contested by the females and males of ages 2, 3 and 4YO.

WINNERS:

2YO C & G – MAJOR POST, Bred by Success Stud Pty Ltd, Owned by D W York, T V York, Trained and Driven by Chris Robinson.

2YO FILLIES – WHISPERING LASS, Bred by K R Hodder, C L Hodder, Owned by R J Quay, R Harries, A Jones, Trained by Steve Turnbull, Driven by John O'Shea.

3YO C & G – AUSSIEAUSSIESTRIDE, Bred by Sloys Company Pty Ltd, Owned by E & M Stride, Trained and Driven by Luke McCarthy.

3YO FILLIES – SO SURREAL, Bred and Owned by Light Harness Bloodstock, Trained by Ian Wilson, Driven by Jimmy Douglass.

4YO E & G – SWING IS THE THING, Bred and Owned by Peter Plummer. Trained by Paul Fitzpatrick and Driven by Gavin Fitzpatrick.

4YO MARES – LILAC STRIDE, Bred by Pacebred International Owned by E & M Stride, Trained and Driven by Luke McCarthy.



RISING STARS SERIES

The Rising Stars Series was again conducted in late June with nine NSW junior drivers joined by WA Rising Star Aiden De Campo. Training and development activities included attending the NSW Breeders Challenge Barrier Draw, a visit to the Bernie Hewitt stables, a veterinary presentation at Camden Uni, media training at SKY Racing including on set participation on In The Gig and also attendance and participation at the Industry Forum. Activities were organised around the heats conducted at Menangle, Parkes, Penrith and Newcastle.

The series was again coordinated by Harness Racing NSW staff and chaperones Rachael and David Micallef, who ensured that the participants were provided with an enjoyable yet educational experience.

Leading into the final race of the Series it appeared to be down to two winning contenders; Sam Hewitt representing the Western Districts had been consistent racking up two wins and two seconds from the previous seven heats, while Metropolitan representative David Morris had won one race, finished two seconds and one third and was 12 points behind.

Morris had to win and Hewitt finish further back than 7th for Morris to claim the title, but in the score up Morris' drive LIGHTNING MCCOOL broke and was hopelessly tailed off. Hewitt would eventually finish 8th, while Morris never got into the race and finished last.

The final standings were as follows:

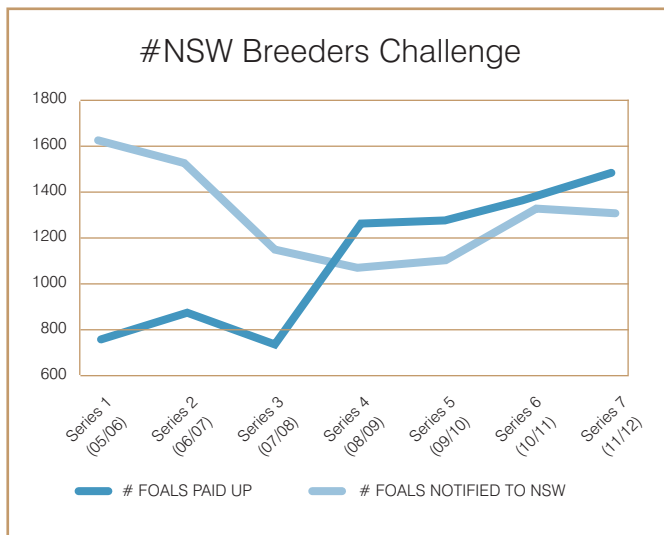
Driver	Region	Total Points	Position
Sam Hewitt	Western Districts	77	1
David Morris	Metropolitan	63	2
Melissa Hawke	South West & Riverina	58	3
Lauren Panella	Metropolitan	53	4
Matthew Harding	North West	52	5
Aiden De Campo	Western Australia	49	6
Aaron Garaty	North East	48	7
Cassie Robinson	Far West	48	7
Thomas Gilligan	South West & Riverina	35	9
Ben Hagney	Western Districts	21	10



The series was filled with highlights, particularly for Far West representative Cassie Robinson who hails from Broken Hill and had never been to Sydney in her lifetime. She steered HIGHVIEW OBAN to victory at Newcastle in what was a major achievement for herself and her town.

BREEDING SCHEMES

For the first time in NSW, home state Studmasters were given the option of nominating their stallions for the NSW Breeding Schemes, while their progeny would be eligible if a mare was served in NSW and the resultant foal born in NSW. Non acceptance would mean that Breeders Challenge Owners Bonus Scheme Certificates and any future stallion nominator share of all Breeders Challenge Race Series prizemoney would be foregone.



Proving the growing popularity of the NSW Breeding Schemes 112 stallions were nominated. They hailed from the most prominent studs in the world with the breakup of stallion location as follows:

Stallion Location	Nominees
NSW	33
VIC	31
NZ	23
QLD	13
USA/Canada	7
WA	4
TAS	1

FOAL NUMBERS

The total number of foals registered in Financial Year 2012 was 1,329.

The break-up as to where the stallion was domiciled is as below:

NSW	VIC	QLD	WA/TAS	FROZEN	TOTAL
657	445	11	3	213	1,329
49.4%				50.6%	100%

As a comparison the break up for the previous three breeding seasons was as follows:

Foaling Year	NSW	NSW %	Non-NSW	Non-NSW %	Total Foals
2010/11	602	44.3%	756	55.7%	1,358
2009/10	484	41.5%	683	58.5%	1,167
2008/09 (EI)	494	45.7%	588	54.3%	1,082



STALLION INCENTIVE SCHEME

The Stallion Incentive Scheme has existed for three breeding seasons.

The scheme provides money for the advertising of first season stallions standing in NSW and second season stallions on a dollar for dollar basis.

A total of 883 (59%) services came from Stallions which participated in the 2011/12 Stallion Incentive Scheme. The success of the Scheme can be seen by the results below.

FIRST SEASON STALLIONS

First Season Stallion's eligible under the provisions of the Stallion Incentive Scheme were as below:

Stallion	Stud	2011/12 Services
Rock N Roll Heaven	Pepper Tree Farm	214
Mister Big	Yirribee Pacing Stud (Alabar)	120
Village Jasper	Yirribee Pacing Stud (Alabar)	110
Parsons Den	Lonsvale Stud	19
Northern Luck	Lonsvale Stud	17
Mister Swinger	Rossvale Stud	12

A total of 492 services (33%) came from first season stallions in 2011/12.

SECOND SEASON STALLIONS

Second Season Stallion's eligible under the provisions of the Stallion Incentive Scheme were as below:

Stallion	Stud	2011/12 Services
Sportswriter	Pepper Tree Farm	148
Passmaster Hanover	Golden Gait Stud	90
Always A Virgin	Pepper Tree Farm	84
Million Dollar Cam	Yirribee Pacing Stud	69

A total of 391 services (26%) came from second season stallions in 2011/12.



Racing Review

DATES AND FUNDING

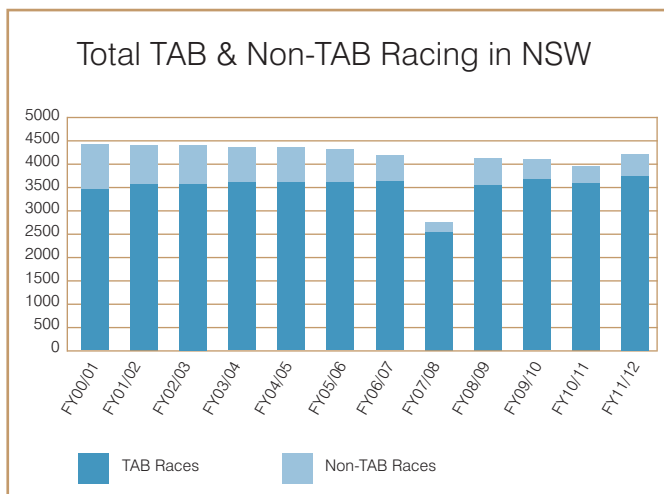
The Financial Year 2012 race dates included more TAB covered meetings than ever before. This was due to the inclusion of many country based Carnival of Cups meetings in the Sky Racing Schedule.

Clubs such as Narrabri, Cowra, Blayney, West Wyalong and Cootamundra were afforded their inaugural TAB covered meetings, while Broken Hill, Peak Hill and Muswellbrook made a return to the fold after a significant absence.

Prizemoney levels were maintained at \$5,500, \$4,500 and \$3,000 for Tiered TAB meetings and Non-TAB meetings attracted \$1,500 per race.

Following the historical Race Fields Legislation decision which was handed down in late March 2012, the Harness Racing NSW Board increased Tier 2 base prizemoney to \$5,000 per race from 9 April 2012 to 30 June 2012.

The NSWHRRC introduced prizemoney increases at their Metropolitan meetings following the settlement of the sale of Harold Park. Base Metropolitan Penalty prizemoney increased from \$16,000 to \$22,000 from 1 January 2012, while their base Career Penalty prizemoney at the Metropolitan meeting increased from \$8,000 to \$12,000.



FEATURE RACE REVIEW

The feature race season for Financial Year 2012 commenced at NSW Metropolitan Headquarters, Tabcorp Park Menangle with the running of the Winter Cup. The listed event was taken out by the Luke McCarthy trained Roman Stride and it commenced a record breaking season for the NSW born mentor who had relocated to Cobbitty in Sydney's South West from South East Queensland in March 2011.

The Empire Stallions NSW Breeders Challenge Regional Finals which are conducted annually on rotation were staged in Parkes. The Series is run to compliment the major series and provides an opportunity for those horses that were unable to win heats or place in Finals to compete against one another for a purse of \$20,000.

The 2YO Fillies division was won by Whispering Lass for Western Districts leading trainer Steve Turnbull, while the Chris Robinson trained Major Post signalled his talent in the 2YO Colts and Gelding event when at only his third race start he broke the two minute mile rate barrier over a distance of 2040m.

So Surreal took out the 3YO Fillies race for Ian Wilson and Luke McCarthy would produce second starter Aussieaussiestride who would lead all the way in the 3YO Colts and Geldings.

The 4YO Mares winner would provide trainer McCarthy and owners Emilio and Mary Rosati with a winning double when Lilac Stride saluted and Swing Is The Thing was successful for trainer Paul Fitzpatrick in the 4YO Entires and Geldings final.

With \$5,000 bonuses again offered to the Carnival of Cups leading horse, trainer driver and trotting trainer, the series was always going to be well supported. Eugowra's Carnival of Cups meeting again proved one of the most popular on the calendar. One of four stable runners, the lightly raced Bobbee Dee Dee gave trainer Bernie Hewitt another victory in the featured \$20,000 Canola Cup.

The Spring Cup would be the first of a string of listed feature wins for warhorse Karloo Mick for trainer Barry Lew; he would also go on to win the Kevin Robinson Memorial and the Brian Hancock Cup. All events were run and won at Tabcorp Park Menangle.

New Zealand up and comer Franco Jamar burst onto the Sydney racing scene with a string of six straight victories for his Australian based trainer Luke McCarthy. Included in the string of wins was the New Season Championship Final and the inaugural Coca-Cola Amatil Sprint, a new qualifying race for the Miracle Mile.

La Mosca would travel up for Victorian trainer Gary Bailey to compete in the Franco Australian Trotters Series, after two solid fourths in the heats, the Final distance suited the gelding off his 30m handicap and he prevailed by half a length.

Tim Butt would send Raglan over to Australia in October in the lead up to the Carnival of Miracles. The decision was justified when the sit sprinter hit the front in the shadows of the post to claim victory in the Newcastle Mile, a win which would see him qualify to contest the Miracle Mile.

World Champion Mr Feelgood was yet to taste success in NSW, but was set alight in the Cordina Farms Sprint. Peaking on the night, he would record the fastest ever mile by an entire in Australia when he stopped the clock in 1:51.1 gaining a Miracle Mile birth in the process.

At a star studded night at Tabcorp Park Menangle Smoken Up and Lance Justice would claim back to back victories in the Miracle Mile, Washakie was dominant in the Bohemia Crystal FFA for John McCarthy, Miss Warbucks would win the Trotters Mile for Chris Lang Jnr and Lous Lad, Mach Wiper, Vladimir The Great and Karloo Kix took out their respective Championship Finals.

Washakie became the first horse to claim a hat trick of victories in the M H Treuer Memorial at Bankstown for trainer John McCarthy.

The McCarthy streak continued throughout December when the Christmas Gift Final was taken out by Uk

Connection at Tabcorp Park Menangle and then Lightning Raider was successful in the Shirley Turnbull Memorial at Bathurst, both for trainer Luke. Feature race success would continue the following month with stable recruits Lettucerocku securing victory in the time honoured Inter City Pace at Maitland and Mach Wiper capturing the Goulburn Cup.

January was a busy month on the Carnival of Cups circuit. On New Year's Night, in an emotional victory for the Diebert family, Knight'smile lit up Leeton in the Breeders Plate, while later in the month, Western Districts couple Peter Russo and Ashlee Siejka captured the Parkes Gold Cup with Atom of Courage and the Junee Cup with Seshny Bromac.

Also in January, Paleface Jasper emulated his champion dam's sire's performance in taking out the Temora Pacers Cup. Successful interstate raids were launched by Queensland based Ricky Thurlow to secure Tamworth's Golden Guitar with Tiger Island, and by Victorian David Aiken to win the Albury Pacers Cup with Smudge Bromac.

Waldenburg and Blake Fitzpatrick took out the Simpson Memorial at Tabcorp Park Menangle while other features for the month at headquarters, namely the Teeny Teeny stakes and the Raith Memorial were taken out by Our Torias Secret (Luke McCarthy) and Marquess De Posh (Paul Fitzpatrick).

Luke McCarthy kicked off February with a feature win in the Ranji Bill Stakes courtesy of Our Sixpence, and Young's \$40,000 Pacing Cup with Roman Stride. Caesar Augustus would prevail in the NSW Sapling Stakes for Queensland visitor Graham Seymour, while Torque In Motion would take out the Robin Dundee Stakes for Vicki Rasmussen en route to the Ladyship Mile.

A strong interstate contingent travelled to Tabcorp Park Menangle for the NSW Oaks heats. La Machane was ultra impressive for Victorian visitor Greg Sugars, Shake It Mama also from Victoria was dominant for Emma Stewart, while local Marquess De Posh proved her class in the third heat for Paul Fitzpatrick to set up an interstate showdown.



In what would turn out to be the ultimate Linden Huntley Little Memorial Finals at Bulli for the foreseeable future, Knightsmile proved too tough for new trainer Luke McCarthy in the Colts & Geldings division, while Perfect Trouble would provide Michael Hawke with one of the highlights of his harness racing career.

At Ladies night at Tabcorp Park Menangle Marquess De Posh would be victorious in the NSW Oaks after finding the lead dictating terms and sprinting home too quick for her rivals. It was then an interstate procession. Torque In Motion (Vicki Rasmussen) from Queensland ran them off their feet in the Ladyship Mile, Captain Joy (Susan Hunter) from Victoria would find some vintage juvenile form taking out the Media Cup, Victorian filly Courageousnquick (Brent Lilley) was commanding in the Pink Bonnet and stable mate Flying Pocketlands swooped down the outside in the International Lady Drivers Invitational.

The Australian Pacing Gold Finals for 3YO's were on rotation in Sydney. It would be Luke McCarthy to the fore again, this time with Grand Stride, Louvre for Susan Hunter would take out the fillies division.

Next stop was Bathurst for the Gold Crown Carnival. The Gold Crown went to Ultimate Art for Michael Formosa, Frith kept up the amazing strike rate of Bernie Kelly with

his juveniles in the Gold Tiara, Victorian visitor Soho Valencia notched up another Bathurst Final win for Jayne Davies in the Gold Chalice and Hirising saluted for Steven Harris in the Gold Bracelet.

March saw Broken Hill's first Carnival of Cups meeting highlighted by a \$10,000 feature won by locally trained mare, Thywillbedone. Narrabri's second Carnival of Cups meeting was also conducted with More Milk Mike scoring for Dean Chapple, while Steve Turnbull captured the Banjo Patterson at Orange with Royal Surprise.

The popular all Trotters Day at Coolamon on Anzac Day again brought together a mix of NSW and Victorian trained horses. It was Victorian Chris Lang with Dealornodeal who would salute in the feature race, the La Coccaracha. While Muswellbrook, West Wyalong, Forbes and Blayney also conducted successful Carnival of Cups meetings in April, the standout feature was Dubbo's listed Red Ochre Mares Classic where Peter Russo and Ashlee Siejka continued their outstanding run in Carnival of Cups features, securing victory with Miss Rockabella.

Terrorway for Luke McCarthy maintained his unbeaten record when he went 11/11 in the Renshaw Cup at Penrith at his first attempt in Free For All company. Back at Tabcorp

Park Menangle, McCarthy's Excel Stride would rate the fastest ever time by a 4YO entire when he stopped the clock at 1:51.5 in the Hondo Grattan Stakes. Captain Joy for Susan Hunter proved his Media Cup win was no fluke when he backed it up with a win in the Golden Mile, a race which would also signal the end to the racing career of Mr Feelgood. The Grinfromeartoear stallion performed below par and was subsequently found to have career ending injuries following a first turn incident in the Inter Dominion Grand Final at Western Australia's Gloucester Park.

Mark Purdon arrived in NSW and as has been the case over the past two decades, he would leave the Metropolitan track with a float full of winners. Hands Christian took out the Paleface Adios Stakes while Smolda was successful in a heat of the NSW Derby. Monarkmac caused a boil over at 30/1 for Queenslander Grant Dixon in heat two, while Ideal Scott from New Zealand won the third heat for Brian Hughes.

In what could be described as possibly the best overall night of racing conducted in the state of NSW during the year Vertigal for David Thorn would wave the NSW flag in taking out the Carousel. It was New Zealand's NSW Derby when Smolda was victorious in the Children's Cancer Institute colours worn by Mark Purdon. The colours were donated to connections by Harness Racing NSW to use throughout the series following a request from part owner Marcus Kirkwood and wife Sharon for Smolda to use them. Marcus and Sharon are benefactors of the institute and sadly lost their son, Tom, to cancer one day prior to his eighteenth birthday in 2009. The word TOM was printed on the cuffs of the colours and no doubt gave Smolda that extra drive to the line when he held on by just over a metre at the finish.

Smoken Up would hold on in a close finish to win his fourth Len Smith Mile for his Victorian mentor Lance Justice and Caribbean Blaster would produce his best for Victorian Andy Gath when running away with the Chariots of Fire. So excited was part owner Rob Nalder that it was reported he cracked Kate Gath's rib when he gave her a bear hug at the presentation. The night was rounded out by a dominant display from the Victorian based and Emma Stewart trained Guaranteed in the Rod Fitzpatrick Memorial.

Trotter's month at Tabcorp Park Menangle would see Victorian Chris Lang dominate with Shes An Image and Aldebaran Shades taking out the NSW Trotters Oaks and NSW Trotters Derby respectively, while Savona for David Thorn would win the Trotters Championship Final.

The talented Marooned and his trainer Frank O'Sullivan enjoyed more Carnival of Cups success by winning the Wagga Pacers Cup. Glengowan ran up to his true potential for Darren Binskin when taking out the Joe Ilsley Cup at Tabcorp Park Menangle in the final feature for May.

The last month of the financial year saw three Carnival of Cups meetings conducted at Cootamundra, Cowra and Fairfield. Most significant were Matthew Harris's victory with Reneging in the \$15,000 Wattle Time Cup and Our Sir Jeckyl's victory in the J D Watts memorial for Paul and Blake Fitzpatrick.

The feature events to round out the year were the Alabar NSW Breeders Challenge Semi Finals and Finals. The Finals were conducted at Tabcorp Park Menangle on Harness Racing NSW Industry Day. The day comprised dominance and controversy. Luke McCarthy would drive three Final winners, racking up a double for Susan Hunter aboard Louvre in the 3YO Fillies division and Married To The Mob in the 2YO Fillies. He would back up to win aboard his own Grand Stride in the 3YO Colts & Geldings Final. However the hardest pill to swallow would hit the young combination of Robert Morris and Kerry Ann Turner when they lost the 2YO Colts and Geldings Final on protest. No Ah Saint was declared the winner for Paul Fitzpatrick after a Stewards hearing found that Blissfull Guy which had crossed the line in first position had shifted out under pressure and taken the running of No Ah Saint who had failed to run him down by a short half head.

The other features on Industry Day were the Trotters and Pacers Cups. They were won by Real Deal Yankee and Our Chain Of Command for local Darren Hancock and Tasmanian visitor Juanita McKeNZie respectively, while Bettor Bet Black for Queensland's Darren McCall won the Winter Championship Final.

PEPPER TREE FARM CARNIVAL OF CUPS FEATURE RACE WINNERS

Date	Club	Prizemoney	Race	Winner	Trainer	Driver
24/07/11	Peak Hill	\$7,000	Peak Hill Championship	Repleto	P R Gavin	K M Lew
03/10/11	Eugowra	\$20,000	Canola Cup	Bobbee Dee Dee	B J Hewitt	M P Rue
26/12/11	Bathurst	(G3) \$35,000	Shirley Turnbull Memorial	Lightning Raider NZ	L A McCarthy	M P Rue
01/01/12	Leeton	(LR) \$25,000	Breeders Plate	Knightsmile	N W Diebert	M T Diebert
07/01/12	Maitland	(G3) \$40,000	Inter City Pace	Lettucerocku	L A McCarthy	L A McCarthy
11/01/12	Parkes	\$20,000	Parkes Gold Cup	Atom Of Courage NZ	P M Russo	A M Siejka
13/01/12	Temora	\$11,500	Temora Pacers Cup	Paleface Jasper	J J Alchin	A D Alchin
22/01/12	Goulburn	(G3) \$30,000	Goulburn Cup	Mach Wiper	L A McCarthy	L A McCarthy
26/01/12	Junee	\$10,000	Junee Pacers Cup	Seshny Bromac NZ	P M Russo	A M Siejka
27/01/12	Tamworth	\$20,000	Golden Guitar	Tiger Island	R C Thurlow	R C Thurlow
11/02/12	Albury	\$10,000	Albury Pacers Cup	Smudge Bromac NZ	D Aiken	D Aiken
18/02/12	Young	(G3) \$40,000	Cordina Farms Pacing Cup	Roman Stride	L A McCarthy	L A McCarthy
25/02/12	Bulli	(G2) \$50,000	Linden Huntley Little Memorial (F)	Perfect Trouble NZ	M T Hawke	M T Hawke
25/02/12	Bulli	(G2) \$50,000	Linden Huntley Little Memorial (C&G)	Knightsmile	L A McCarthy	L A McCarthy
11/03/12	Narrabri	\$5,000	Carnival of Cups Pace	More Milk Mike	J E Chapple	D A Chapple
13/03/12	Orange	\$12,000	Banjo Patterson Classic	Royal Surprise	A S Turnbull	A S Turnbull
30/03/12	Broken Hill	\$10,000	Carnival of Cups Pace	Thywillbedone	A J Adams	A J Adams
07/04/12	Dubbo	(LR) \$25,000	Red Ochre Mares Classic	Miss Rockabella NZ	P M Russo	A M Siejka
15/04/12	Muswellbrook	\$8,000	HVHRA Cup	Win Or Die	R J Pike	R J Pike
22/04/12	West Wyalong	\$5,000	West Wyalong Pacers Cup	Galactic Eagle NZ	N P Hurst	N P Hurst
25/04/12	Coolamon	(G3) \$25,000	La Coocaracha	Dealornodeal NZ	C W Lang	C W Lang
25/04/12	Forbes	\$6,000	RSL Club Final	Happy Magic	P W Bourke	C L Bourke

29/04/12	Blayney	\$5,000	Bill Soo Memorial	Lacy Shannon	P C Bullock	M R Hughes
05/05/12	Wagga Wagga	\$20,000	Wagga Pacers Cup	Marooned	F G O'Sullivan	A M Day
03/06/12	Cootamundra	\$14,999	Wattle Time Cup	Reneging	M J Harris	M J Harris
10/06/12	Cowra	\$5,000	Cowra Cup	The Real Eagle NZ	K L Hillier	B T Jones
11/06/12	Fairfield	\$11,000	J D Watts Memorial	Our Sir Jeckyl	P R J Fitzpatrick	B P Fitzpatrick

CARNIVAL OF CUPS POINT SCORE WINNERS

Leading Horse	Grace Artois
Leading Trainer	Nathan Hurst
Leading Driver	Nathan Hurst
Leading Trotting Trainer	Darren Hancock, Chris Lang



Review Of Operations – Integrity

Following a review of the Integrity Operations, Harness Racing NSW undertook a restructure of the department and filled the following senior positions:

Regulatory Manager – Mr Reid Sanders
Chairman of Stewards – Mr Bill Cable
Senior Steward – Metropolitan – Mr Chris Paul
Senior Steward – Riverina – Mr Anthony Pearce
Senior Starter – Mr Shane Ticehurst
Senior Steward – Hunter and North West – Mr Greg Westwood
Regulatory Veterinarian – Dr Martin Wainscott

HARNES RACING NSW INVESTIGATION

In late July 2011, Harness Racing NSW became aware of industry rumours regarding the conduct of two Stipendiary Stewards employed by it, namely Mr Paul O'Toole and Mr Matthew Bentley. Harness Racing NSW commenced a covert internal investigation and found some alarming evidence. The allegations centred on the fact that both Stewards, either together or individually, were receiving payments for information pertaining to or omitting horses from the pre-race drug testing regime utilised by Harness Racing NSW at harness tracks around the state.

On Monday 8 August 2011, Mr Paul O'Toole and Mr Matthew Bentley were interviewed by Harness Racing NSW, which resulted in both employees immediately vacating their positions with Harness Racing NSW. Harness Racing NSW launched an investigation into the allegations with the aim of determining which other persons, if any, may have been involved.

Harness Racing NSW also took steps to involve other government agencies in the investigation, through contact with the NSW Police Department and the Independent Commission Against Corruption.

The Investigation commenced with Harness Racing NSW writing to a number of persons involved within the NSW harness industry, directing them to provide copies of their telephone records. The evidence sought grew as the investigation developed and additional information was

subsequently requested including:

- Telephone Records
- Bank and Financial Institution records
- Betting Activity Reports around particular races from betting agencies throughout Australia
- Betting Account Activity Reports for persons of interest from betting agencies throughout Australia
- Electronic evidence obtained via forensic imaging
- Information sourced via interviews and intelligence

All of the evidence collected was entered into the Harness Racing NSW Investigation database which was created with the assistance of the firm O'Connor Marsden (OCM). OCM are experienced in both investigation and data forensic techniques and have been working with Harness Racing NSW to create the best systems to interrogate all of the data collected. Some 600,000 lines of data are currently stored on the database.

There were a total of 53 persons that received a request for evidence from Harness Racing NSW and, to date, more than 70 interviews have been conducted. Many of the persons requested to provide information to the investigation were asked to do so, purely to assist with piecing together evidence. This did not automatically mean that the person required to provide information was involved either directly or indirectly in any corrupt activity that may have taken place.

Harness Racing NSW established a Special Stewards Panel in November 2011 to consider any charges brought against any person in relation to the investigation. The panel comprises Justice Wayne Haylen, Mr Ray Murrin and Mr Des Gleeson. Mr John Zucal was also brought in to assist with the investigation and other matters pertaining to the integrity department.

NSW Police commenced their own separate investigation in August 2011 and established Task Force Tairora to investigate the allegations of corruption in harness racing.

The following action was, or has been taken, by Harness Racing NSW during the course of the investigation so far:

28 August 2011- Owner Mr Mark Vallender was "warned

off” for failing to provide his telephone records as directed. Mr Vallender appealed the decision of Harness Racing NSW, which was later dismissed. However he subsequently provided the records as directed and his “warning off” was lifted by the Board of Harness Racing NSW on 17 November 2011.

1 September 2011 – The Board of Harness Racing NSW resolved that \$1 million from the RDF be directed into an emergency integrity fund to assist with the investigation and to improve the integrity of the industry.

8 September 2011 – Licensed Driver Mr Robbie Byrnes is “warned off” for failing to provide his telephone records as directed. Mr Byrnes appealed the decision, and his appeal was dismissed. Mr Byrnes is currently “warned off”.

24 November 2011 – Harness Racing NSW immediately stand down licensed persons, Mr Greg Bennett and Mr Michael Russo after they were arrested and charged by strike force Tairora.

25 November 2011 – Harness Racing NSW immediately stand down licensed persons, Mr Cameron Fitzpatrick and Mr Dean Atkinson after they were also arrested and charged by strike force Tairora.

13 December 2011 – Trainer Mr Greg Sarina is charged for giving false evidence to the investigation team and stood down. The Special Stewards Panel commenced hearing the charge against him on 12 January 2012. The matter has been adjourned until September 2012.

14 December 2011- Driver Mr Ben Sarina is charged for giving false evidence to the investigation team and stood down. The Special Stewards Panel commenced hearing the charge against him on 12 January 2012. The matter has been adjourned until September 2012.

20 December 2011 – Charges of corruption are issued by Harness Racing NSW against Mr Dean Atkinson (3 counts) and Mr Cameron Fitzpatrick (2 counts).

12 January 2012 – Mr Dean Atkinson pleads guilty to 2

counts of corruption before the Special Stewards Panel.

31 January 2012 – Mr Dean Atkinson is disqualified by the Special Stewards Panel for 10 years and ordered to repay prizemoney of \$6,584 following the disqualification of the horses involved.

19 March 2012 – Mr Michael Siejka was “warned off” for failing to provide documents as directed.

To date five persons have been charged by task force Tairora, those being Mr Paul O’Toole, Mr Cameron Fitzpatrick, Mr Michael Russo, Mr Greg Bennett and Mr Dean Atkinson. Mr Dean Atkinson pleaded guilty to three charges in the Downing Centre Local Court on 27 February 2012 and was sentenced to 100 hours of Community Service on each charge to be served concurrently.

At the time of publishing all the other matters are still outstanding before the courts.



EQUINE DRUG CONTROL

Following the events that unfolded in August 2011, Harness Racing NSW commenced a systematic change to its Drug Control strategies. This involved a considerable increase in the number of samples collected from horses both pre and post race, utilisation of different forensic laboratories not only in Australia but overseas, and different collection times.

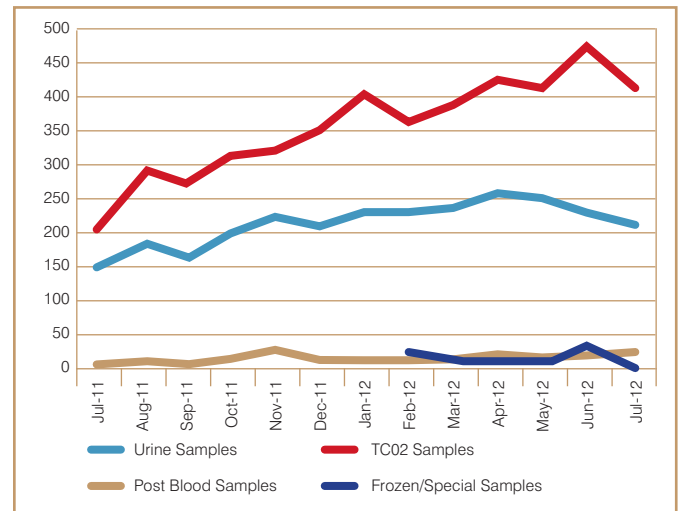
The employment of our own Regulatory Veterinarian, Dr Martin Wainscott, has not only assisted with the collection of more samples, but has allowed Harness Racing NSW to collect samples at any meeting throughout the state without prior knowledge. Dr Wainscott has also been able to work closely with other Veterinarians that provide raceday services to the harness industry.

With the changes to the drug control strategies came increased costs to the industry and the achievements of the past 12 months in this field would not have been possible without the injection of additional funds into the integrity budget by both the previous and current Boards. The objective of Harness Racing NSW is to ensure that every horse that competes does so on a level playing field and therefore free of any prohibited substance. Any person that breaches the Prohibited Substance Rule shall be dealt with accordingly.

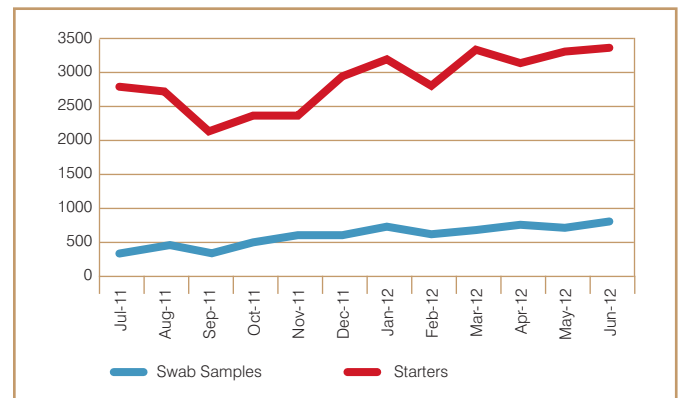
In the 2011/2012 financial year a total of 6,896 samples were collected by Harness Racing NSW and analysed or stored for future analysis. This is equal to a sample from 1 in every 4.95 starters or 20.2% of starters throughout the state.

During this period however, Harness Racing NSW recorded a higher number of positive samples, 28 in total. This unfortunately reflects a high percentage of 0.04%, against historical percentages of 0.01%. In an optimistic light it emphasises that Harness Racing NSW's integrity strategies have worked and it is delivering the objectives set out by the Board.

The following graph demonstrates the number and types of samples collected by Harness Racing NSW:

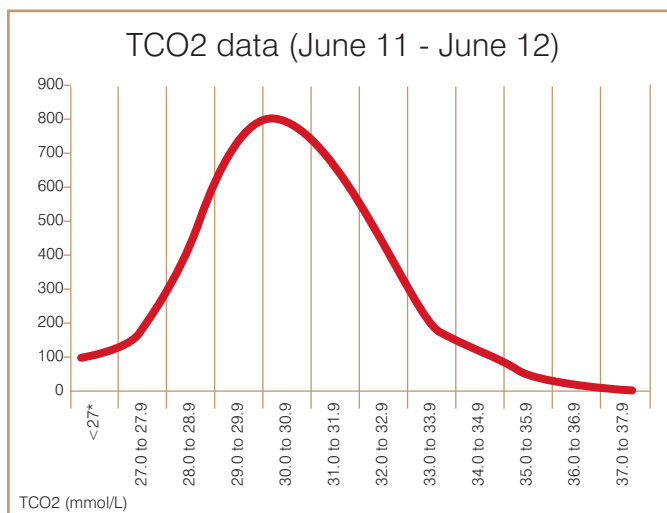


The graph below compares the number of samples taken versus the number of starters for each month.



During the period of increased testing, particular attention has been paid to the monitoring of TCO2 levels recorded by the standardbred population. A detailed review of the TCO2 levels recorded shows that since August 2011 the average of the population has decreased.

The below graph will demonstrate the levels at which horses are being presented to race.



Further, Harness Racing NSW has been working closely with other non-racing authorities to deliver strategies on tracking and stopping the importation of banned substances. This is an important initiative in delivering the highest level of drug control expected by our participants and the betting public.

APPEALS:

During the past financial year, the terms of two members of the Racing Appeals Tribunal, Justices Haylen and Kavanagh, expired. The Tribunal now comprises Mr D Armati and Magistrate I McRae.

There were 43 appeals lodged against decisions of either Harness Racing NSW or its Stewards. Of those 43 appeals only 6 were upheld and 1 is still pending to be heard.

Although a number of decisions were varied by the Tribunal, it should also be noted that some penalties were in fact increased. Harness Racing NSW is mindful of the costs incurred by the industry in the conduct of these appeals and, as such, has been seeking costs orders which have been successful in some appeals. It is not possible to recover all costs, but Harness Racing NSW believes that it is further protecting the industry in seeking such orders.

Below is a table which breaks down the appeals:

	2009/ 2010	2010/ 2011	2011/ 2012
Appeals Lodged	40	25	43
Upheld	12	8	6
Varied	11	7	11
Dismissed	13	3	10
Withdrawn	2	8	15
Appeals Pending			1

THE FUTURE:

Harness Racing NSW has resolved to continue to strengthen the integrity of the NSW harness industry and the Integrity Department will work to deliver strategies and objectives to ensure that Harness Racing NSW is at the fore front of integrity, not only in Australia, but around the world.



Review Of Operations – Marketing, Media and Public Relations.

The 2011/2012 marketing strategy focussed on the image and profile of harness racing throughout New South Wales.

This objective was achieved through social media networks, facebook and Twitter along with a higher volume of Media Releases submitted on both the hrnsw.com.au and harness.org.au websites. In addition, an audience of over 65,000 individuals viewed the highly successful IT platform, Trots TV.

Another priority was to build relationships with mainstream media including the Sydney Morning Herald, The Daily Telegraph, The Illawarra Mercury, Radio 2GB, Sky Sports Radio, the ABC and WFSM.

Having a consistent and regular Wednesday column in The Daily Telegraph has now been achieved after developing a relationship with Editor Ray Thomas and harness journalist Brent Zerafa. We are pleased with the regular Thursday morning segment on the Andrew Bensley Sky Sports Radio program which is also used to promote harness racing in NSW.

THE GAZETTE

The monthly publication underwent a makeover which incorporated a new look and regular industry features. The Magazine has a distinct promotion of harness racing in NSW and its many participants.

Harness Racing NSW staff have contributed significantly including human interest stories such as Nine To Five (the hobbyist), What's In A Name (the reason for name of a horse) and Hero Horse (profile of a past equine champion).

The Stallion Incentive Scheme resulted in an increase in breeding promotion; reiterating a positive profile of the breeding industry.

TROTS TV

In June 2011 Harness Racing NSW introduced Trots TV, a widely sought after enhanced media outlet for participants and supporters.



Trots TV proves that harness racing fans have been starved of quality viewing for some time. The website provides full race replays, trial replays and regular one on one trainer, driver and industry related interviews. On major race nights a panel of experts preview the night's racing and provide selections.

The response has been most overwhelming with over 65,000 unique visitors who have entered the site on 266,244 occasions in the first twelve months. There has been over 713,500 pages viewed with average time spent 5mins and 30 seconds.

Of the 266,244 site entries, 40,000 of those were either via Apple iPhone ® or Apple iPad ®.

HARNESS RACING NSW WEB SITE, FACEBOOK AND TWITTER PAGE

The Harness Racing NSW web site provides daily updates across various categories including Racing,

Integrity, Media Releases, Owing and Breeding along with Change of Tactics.

Facebook has increased in popularity with over 5,000 "Likes" for the Harness Racing NSW page. It has been most popular with Carnival of Cups and Awards Night photos along with competitions enabling fan interaction.

The Harness Racing NSW Twitter account has had a significant boost to its operation in 2012. Regular race selections from our form experts along with industry information is distributed on a daily basis.

2011/2012 HARNESS RACING NSW CLUB CARNIVAL OF CUPS.

The Carnival of Cups series continues to grow each year and provides clubs with an opportunity to stage feature meetings with the highest levels of prizemoney.



With dollar for dollar funding provided by the Harness Racing NSW Industry Fund, the Carnival of Cups concept allows individual race clubs to attract quality horses which in turn attracts sponsors to their feature racedays.

The Broken Hill HRC conducted their inaugural Carnival of Cups meeting in March 2012 but not without delay. Following a washout, the club successfully raced a fortnight later in conjunction with the Broken Hill show, with live race coverage through Sky Racing 2.

The continuous increase in raceday crowds at Carnival of Cups venues has re invigorated many race clubs who used the opportunity to promote their feature meeting with Harness Racing NSW's promotion involving a chance for race goers to win a \$10,000 Travel Voucher.

ALABAR NSW BREEDERS CHALLENGE-INDUSTRY DAY

Alabar Breeders Challenge day 2012 continued on with the success generated in 2011.

Four quality \$125,000 finals along with two feature cups saw the industry turn out in their thousands and embrace the sport they love.

As a means of enhancing the major race series, Harness Racing NSW promoted the day by conducting a Family Fun Day which was designed to attract newcomers to Tabcorp Park Menangle. The finals series was promoted locally and through WSFM radio which ensured that hundreds more turned out including many local families who had never attended a harness race meeting before.

2011 AWARDS NIGHT

The 2011 Awards Night was another resounding success. Themed, Bond 007 and held at Doltone House, Pyrmont, the evening attracted 350 participants who thoroughly enjoyed themselves.

The major award for the evening, the Harness Racing

NSW 2010/2011 Harness Horse of the Year was fittingly won by Australasia's fastest pacer Smoken Up. The versatile champion took out honours against some of the finest horses on display at NSW tracks last season.

Race clubs in NSW continued to rely on volunteers to ensure that meetings were conducted to the professional standard required by the sport. Harness Racing NSW was pleased to make presentations to four well deserving volunteers who performed exceptionally for their respective clubs. These were Brian Callan (Bathurst), Wal Parsons (Parkes), Patrick Foley (Cootamundra) and Patsy Wrigley (Dubbo).

The NSW Champion Junior Driver went to Amanda Turnbull and Paul Fitzpatrick was crowned NSW Champion Trainer.

The 2YO honours went to Three Over Three, 3YO to Excel Stride, Trotter of the Year went to Arizona Blue whilst Sexy Lexy Whitby was named Broodmare of the Year. Aces N Sevens took the Sire of the Year honours.

The Country Junior Driver Encouragement Award went to Blake Jones with the Metropolitan category taken out by David Morris whilst Colin Watts was an inductee into the Harness Racing NSW Living Legends.

HARNESS RACING NSW SPONSORS

Harness Racing NSW was privileged to have many new and current sponsors support its activities throughout the 2011/12 season.

At the commencement of the 2011/2012 racing season Harness Racing NSW entered into a \$200,000 sponsorship with Tabcorp with funds distributed amongst participating race clubs.

A total of eleven clubs including Newcastle HRC, Bathurst HRC, Penrith HRC, Wagga HRC, Bankstown HRC, Young HRC, Dubbo HRC, Parkes HRC, Goulburn HRC, Albury HRC and Leeton HRC participated. These clubs met the criteria set by Harness Racing NSW in conjunction with Tabcorp which included race course signage, free

entry and hospitality to race meetings for TAB No1 Club members and the naming rights to individual races.

John Coffey and Alabar Bloodstock continued their strong sponsorship of the Alabar Breeders Challenge race series while Cordina Farms, Brisbane Pastoral, Semco, and LJ Hooker St Andrews were some of many sponsors who sought advertising through the highly popular web TV site, Trots TV.

Pepper Tree Farms and KS Black and Co shared the naming rights for the Carnival of Cups. The Young Harness Racing Club continued its sponsorship of the Rising Stars series.

OAMPS Insurance Brokers played a significant part in the 2011 Harness Racing NSW Awards Night as the Major Sponsor

The night was also supported by:

Tabcorp
Daily Form Service
Alabar Bloodstock
Lexus Of Parramatta
Taylor Made Travel
Bankstown Harness Racing Club
Harness Breeders NSW
TAB Number 1 Club
Sky Racing
Harness Racing Travel World
NSW Standardbred Owners Association
Penrith Harness Racing Club
National Trotguide
Pepper Tree Farm
Bathurst Toyota
NSWHRC
House Of Brook
Cordina Farms



External Relations

TABCORP

Harness Racing NSW continued its long association with Tabcorp to further the interests of the harness racing industry.

Primary efforts in this respect involved obtaining better understandings between the parties on industry turnover performance and general business strategies to stimulate the growth of funding to the racing industry. A representative from Tabcorp attended and made another thought provoking presentation to attendees at the Industry Day in June this year.

Along with Racing NSW and Greyhound Racing NSW, Harness Racing NSW attends regular Business and Strategy Committee meetings with key Tabcorp personnel, the aim of which is to drive the wagering business forward through increased collaboration and understanding between the industry and Tabcorp.

Tabcorp provided sponsorship to various clubs around the state which was matched by clubs providing signage and other benefits to TAB and its clients. In addition Tabcorp gave promotional airtime and live hosting for certain events.

RACINGCORP

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

Harness Racing NSW representation on the Racingcorp Board is provided by Mr Graeme Campbell (Harness Racing NSW Chairman) and Mr Sam Nati (Harness Racing NSW CEO).

HARNES RACING AUSTRALIA

During FY2011/12 Harness Racing NSW was a member of Harness Racing Australia, the industry's peak consultative body on harness racing throughout Australia.

Harness Racing NSW provides input and representation at both the Executive and Board levels to various HRA committees including the Wagering Committee, Breeding Committee, National Marketing Committee and the Integrity and Handicapping Committee.

Graeme Campbell is Deputy Chairman of HRA.

A full report of HRA's activities can be found later in this Annual Report.

HARNES RACING INDUSTRY CONSULTATION GROUP

The Harness Racing Industry Consultation Group was formed in accordance with the terms of the *Harness Racing Act 2009*. It is a consultative body consisting of industry representatives that assists Harness Racing NSW with the development and implementation of industry initiatives and has defined meeting requirements and frequencies.

The body has the function of consulting with and making recommendations to Harness Racing NSW on matters concerning harness racing in the state.

The HRICG replaced the former Harness Racing Industry Participants Advisory Committee.

The Committee met 3 times during the year.

Industry Associations

Harness Racing NSW continued to enjoy excellent working relations with the four active industry associations – the United Harness Racing Association (UHRA), Harness Breeders NSW (Harness Breeders NSW), the NSW Standardbred Owners Association (NSWSOA), and the NSW Mini-Trotting Association (NSWMTA).

The United Harness Racing Association and Harness Breeders NSW, in particular, continued to provide innovative feedback to Harness Racing NSW on current and emerging industry concerns, and have been instrumental in assisting with the development of policies aimed at addressing these concerns.

Further assistance was provided to the NSW Standardbred Owners Association by Harness Racing NSW during FY2011/12 to assist with its growth and acquisition of new members.

Harness Racing NSW provided further assistance to the Mini-Trotting Association in a number of ways. Administrative support was provided and Harness Racing NSW assisted with the purchase of prizes and provided a representative at the annual NSW Mini Trotting Championships held at Shoalhaven over the Easter weekend.

Harness Racing NSW also purchased gear and apparel packs for mini trot participants. Items included a bag, T shirt, cap and jacket.

More importantly however Harness Racing NSW assisted with the establishment of Maxi Trots which enables children between 14 and 15 to maintain their interest in the sport.

Analysis over a ten year period highlighted that there was a large drop off rate in participation in the 14 to 15 year-old age bracket which affected the progression of Mini Trots drivers obtaining a B Grade Drivers Licence.

Following a series of concept meetings, a new racing brand labelled Maxi Trots was established which allows drivers that have competed in Mini Trots during the preceding three years to drive full sized Standardbreds in exhibition races.

Its introduction aims to provide stimulation, progression, a greater challenge and to encourage a larger participation in the sport of harness racing.

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

All of these associations provide valuable feedback to Harness Racing NSW.



HARNES RACING AUSTRALIA ANNUAL REPORT

The past 12 months have been extremely busy for all at HRA. We have settled into our new office space located within the Racing Victoria Building and are truly now part of a horse precinct with HRV also in the same complex.

Our new library is now complete and we are now able to display all of our books, journals, and other items. We also worked with film producer Mike Dickinson to convert and categorise over 1500 major races and interviews dating back to 1911. It's pleasing to report that a number of enthusiasts have made use of this vast resource.

HRA undertook to implement a major recommendation out of the breeding panel report to improve access to our breeding reports. The decision was made to remove the subscription cost. This has been universally applauded. We have also enhanced our top twenty reports to make these more user friendly.

Our dedicated team continue to do a great job organising names, DNA, Studbook, imports and exports as well as Stallion registrations. In the last 12 months we handled in excess of 13,000 horse related transactions. We have started a project to look at the benefits of having a centralised registration process.

Last year we undertook a tender process to select our insurance broker and this year it was to select our DNA service provider. At the conclusion of the process we were pleased to announce that we are continuing our association with MAXXAMS. Historically they have provided an excellent service and a feature of this new agreement is that \$1 from every DNA test will be directed straight back to our breeding industry.

We have also changed the insurance underwriter for the personal accident coverage. After an exhausting process we have made the change to Accident and Health to provide this cover. Road shows are currently on the way to fully explain the policy and the cover to all participants. Another innovation has been the use of Go Pro camera

technology to bring the action of harness racing even closer to our followers. We have used these on helmets, sulkies, mobile barriers and will continue to enhance and develop this. The movies are edited and loaded to you tube and have had a very high rate of views. A movie from the Monte race attracted in excess of 1,000 hits!

In the last 12 months we have tested and re tested a number of new gear and equipment items including wheels and sulkies. It is reassuring to the industry to know that manufacturers see our market as being strong and worthy of investment. HRA coordinates the testing and forwards the reports to the Chief Stewards for them to so the final approvals.

We continue to enhance our animal welfare activities and to this end we have been working on the re homing of standardbreds and increasing the awareness of these through the use of social media and other forums. This year saw us place our first retrained horsed with Riding for the Disabled.

Animal welfare dovetails into integrity where vigilance is being maintained by stewards and veterinarians in a number of key areas such as prohibited substance, whip cruelty and bleeding rules.

HRA is well equipped to monitor and report on racing injuries and trends via injury and incident reporting by race day vets. The data from these reports is input to a database and collated regularly to monitor trends and identify emerging issues which may include track size, horse age, race distance or other environmental factors.

We are also working strongly in the area of integrity and this was central to our presentation to the Australasian Racing Ministers Conference in May, where the introduction of criminal sanctions for race fixing and a review of discipline structures across states, comparing civil and racing tribunal efficiencies were called for.

In summary we will continue to work with the industry and State Controlling Bodies to ensure that this great sport is developed and marketed to increase our markets and awareness.

NSW MINI TROTTING ASSOCIATION INC. ANNUAL REPORT.

In 2012, the NSW Mini Trotting Association celebrated 30 years of conducting the sport of mini trotting in the state, offering children five to sixteen years of age, the opportunity to compete in an atmosphere of co-operation and good sportsmanship. This has resulted in many of our former members continuing into the senior harness racing ranks, and the Association is proud of their achievements.

The season saw the affiliated Riverina, Leeton, Shoalhaven, Penrith/Nepean, Inner City, Metropolitan, Bathurst, Newcastle/Maitland and Tamworth Associations, host meetings on a regular basis, with Carnival of Cup meetings in most of the districts providing regional highlights.

Special mention must be made of the Shoalhaven Association, one of our youngest Associations, which took on the task of hosting the 28th NSW Mini Trot Championships and come through with flying colours. The event, held at Nowra Showground over two days, attracted 140 ponies and drew positive comments from all that attended. The Championship's Midget Class saw victory go to the Hunter Valley trained pony Magic Floss, driven by Nathan Muscat, defeating Yogi Bear (Brooke Xuereb) with Aussie Down Under (Conner Marsh). The Shetland Champion was Secret Mission for Kate Moore with Gransha (Brad Elder) running second, completing a quinella for the Newcastle/Maitland Club, with the Cody Carroll driven Nightmare from the Riverina Association, a gallant third. The Championship Pony Class saw defending champions Energiser and Chris Geary complete the double, defeating Lumber Jack Willie (Brad Moss) with Whispering Gypsy (Chris Judd) in third position.

Congratulations must go to all who attended, for the manner in which they competed, and to the organising committee for the professional manner in which the event was run. The hard work put in by the Shoalhaven Association was clearly evident and was appreciated by all. Well done!

Although most clubs managed to increase membership throughout the year, the Association felt the need to offer an alternative to our older members who, upon reaching the age of fourteen, tend not to participate as actively as they did when younger. In order to bridge the gap between mini trotting and involvement in senior harness racing, in conjunction with Harness Racing NSW, the concept of Maxi Trots was invented. This series allows members to compete in exhibition events driving de registered pacers, offering greater development for potential junior drivers and encouragement to stay involved in the sport of harness racing. This concept has also offered a life after racing for many pacers that have reached the stage where they find it hard to be competitive on the track.

As we look to the future, junior members now have a promotional pack of merchandise, thanks to Harness Racing NSW. Next season will see the Broken Hill Mini Trotting Club sign on as an Affiliated Association and new events held at Dubbo and Canberra.

Thank you to the many hard working members of the Committees of Affiliated Associations and to Harness Racing NSW – your continued support and cooperation will ensure the ongoing promotion of Mini and Maxi Trots and offers our next generation of harness racing families the opportunity to be involved in our wonderful sport.



NEW SOUTH WALES STANDARDBRED OWNERS ASSOCIATION ANNUAL REPORT

The Association has had a productive year and has been involved in a number of important matters and issues confronting Harness Racing generally and owners specifically.

The Dinner and Awards Night was conducted at Tabcorp Park at Menangle and was attended by 130 members and guests. A very enjoyable evening was had by all.

Eleven awards were made on the night. Trophies were supplied courtesy of Bohemia Crystal to whom the Association is again most grateful.

All awards were individually sponsored. The award categories, sponsor and recipients were:-

2YO Fillies

Sponsored by: Golden Gait Stud

Winner: Lettucereason

Owner: Paul Kahlefeldt

2YO Colts and Geldings

Sponsored by: Yirribee Pacing Stud

Winner: Macca Kelly

Owner: Dianne Kelly

3YO Fillies

Sponsored by: Terry Shields Toyota

Winner: Vertigal

Owner: Adrian Molloy

3YO Colts and Geldings

Sponsored by: Investec Bank

Winner: Excel Stride

Owner: Emilio and Maria Rosati

4YO Mare

Sponsored by: Kriden Park

Winner: Seshny Bromac

Owner: George Montebello

Winner: Lilac Stride

Owner: Emilio and Maria Rosati

4YO Entire and Gelding

Sponsored by: Cordina Chickens

Winner: Atom of Courage

Owner: John Brien

Trotting Colt/Entire/Gelding

Sponsored by: Caltex Pty. Limited

Winner: Twotter Peck

Owner: Margaret Morris

Trotting Filly/Mare

Sponsored by: Global Food Equipment

Winner: Springfield Nova

Owner: Stephanie Walker

Aged Horse/Gelding

Sponsored by: Lexus of Parramatta

Winner: Goeslikell

Owner: Lawrence Kennedy

Aged Mare

Sponsored by: AlliaNZ

Winner: Lady Lexus

Owner: Frances Fitzpatrick, John Starr, Rod Smith

Owner of the Year

Sponsored by: Gow Gates Insurance

Winner: Frances Fitzpatrick, John Starr

Following the Annual General Meeting the Committee and Office Bearers were elected. The Office Bearers and Committee for 2011/2012 were:-

President:	Peter Neil
Vice-President:	Rod Smith
Treasurer/Secretary:	John Murphy
Minutes Secretary:	Fran Fitzpatrick
Committee:	Peter Plummer
	Peter Dewsbury
	Peter Green
	Marie Neil
	Daniel Cordina
	Greg Targett

Following the election of Mr. Rod Smith to the Board of Harness Racing New South Wales, Mr. Daniel Cordina was elected as Vice-President.

The Association thanks Mr. Rod Smith for his contributions and generosity afforded to the Association from its inception and wishes him every success in his role as a member of the Board of Harness Racing in this State.

The Association continued with its Owner of the Month awards, recognising outstanding achievements of owners' horses. The award winners for each month up to June 2012 were:-

July 2011 – Nathan Hurst

August 2011 – Ray Cahill

September 2011 – John Brien

October 2011 – Scott McDonald

November 2011 – Cassandra Hampton

December 2011 – Adam Sofoulis

January 2012 – Paul Kahlefeldt

February 2012 – Adrian Molloy

March 2012 – Emilio and Mary Rosati

April 2012 – Colin McDowell

May 2012 – John Starr

June 2012 – David Hewitt

The Association again acknowledges the work of Marie Neil in analysing all results to compile nominations for all awards.

The Association continued the Owners Bonus Race Series with ongoing support from a number of Racing Clubs and New South Wales Harness Racing Club.

The Bonus Series continues to be popular with owners and trainers and assists in the provision of race fields for participating race clubs.

The bonus winners were:-

Mummas Boy Red – FA Reed

Beth Shannon – Rayngold Pty. Limited

Riverboat Prince – DD Johnston, JD Polson, DAJ Polson

Shadow Sun – DM Hewitt

Artistic Warrior – ISIFO Pty. Limited

Make Some Magic, NZ – KG Hurst

Major Gambler – NP Hurst, RW Board, JD Peard, EH

Bennetts, SE Bennetts, MJ Ryan

Western Spirit, NZ – JA Costello, NP Costello

Flite Of The Concords, NZ – Redbank Lodge Standardbreds

Dance For Madi – BA Harpley, NA Harpley

Tulhurst Candy – NP Hurst

Sammy's a Kriden – Kriden Investments Pty. Limited, TA Butler

Mister Bubbles – BJ Kelly, JL Stockton

Cruisin Carl – DC Brien, JA Smith

Equity Kicker – FN Fitzpatrick

Innocent Art – RW Allport

Say Gday Lombo – AJ Hayes

Highview Oban – Redbank Lodge Standardbreds

Our Mach Leigh – PG Green

Lettucefib – Redbank Lodge Standardbreds

A total of \$16,500 in bonuses was paid to 20 very happy owners.

The Association again thanks Wagga, Bankstown, Parkes, Dubbo, Newcastle, Young, Bathurst and Penrith Harness Racing Clubs for their participation in providing an Owner of the Year Award at their Annual Awards Nights.

The Association gratefully acknowledges and thanks its generous sponsors for their ongoing support:

The New South Wales Harness Racing Club

Harness Racing International

The New South Wales Harness Racing Gazette

Bohemia Crystal

Gow Gates Insurance

Lexus of Parramatta

Global Food Equipment

The Tekform Group of Companies

Caltex

AlliaNZ Insurance

Investec Bank

Alabar Stud

Yirribee Stud

Empire Stallions

Cordina Chicken Farms

Rayngold Standardbreds

Current membership of the Association stands at 204. Whilst the number is encouraging, the Association is looking to continue to expand its membership and is considering further initiatives to be implemented during the 2012/2013 season.

We would like to thank all the Committee for their hard work and dedication and look forward to the continued growth of the Association as a significant voice of all owners.

HARNES BREEDERS NSW ANNUAL REPORT

It was a positive year for harness racing in NSW, despite the ongoing police investigation. Having approached Harness Racing NSW four years ago with a list of possible initiatives to be implemented in the event that the Race Fields Case was won, HBNSW celebrated the subsequent victory which provides certainty for all sectors of the industry, and has created optimism for breeders with the prospect of greater future reward. After costs for SKY Racing Video production are met, breeding initiatives will receive 25% of the residual funds.

HBNSW had an active year representing the interests of its members and supporting breeding initiatives state wide. Aside from regular representation to Harness Racing NSW and Harness Racing Australia, its activities included raising funds and using them to recognise member's achievements, encourage increased matings, improve the quality of foal and mare care and create increased racing opportunities for fillies and mares.

In 2012, the Association supplied and presented trophies to the winners of the following races.

J.L.Raith Memorial

Winner: Marquess De Posh 1:54.5

Breeder: Lindsay and Adele Hawkins Owner: John Starr

Bathurst Gold Tiara

Winner: Frith

Breeder / Owner: Bernie & Dianne Kelly.

The Bathurst Gold Crown

Winner: Ultimate Art

Breeder: David & Rachael Micallef. Owner: Kirsty Formosa

John Starr, Bernie & Dianne Kelly, Rachael and David Micallef, are all members of HBNSW. It's good to see members of the Association enjoying the fruits of their racing and breeding adventures. As we all know, breeding can be extremely rewarding.

In 2012, HBNSW also initiated a mare's race series

named the "Go Girlfriend Series". The Series catered for C1-C3 mares and saw heats run at Dubbo, Young, Newcastle and Tabcorp Park Menangle. The \$14,000 final was conducted at Tabcorp Park Menangle on Breeders Challenge Final day, 24th June 2012, and provided bonus services to Shadow Play, Ifihadyourluck, Robin Hood, Aces N Sevens & Pacific Rocket. Thank you to Alabar, Calderwood Farm, Yirribee Pacing Stud & Peppertree Farm for the generous donations of these services and their continued support of the Association. We hope that the series will grow and cater for additional classes of mare.

In June the Association held its AGM & Annual Awards evening. The evening was a great success with 120 people in attendance. A vast amount of trophies and certificates were handed out to much deserving breeders, covering all classes and sex from 2yo through to open class horses. These awards recognised races one and time achieved during the 2010-2011 racing season.

Metropolitan Awards

Fastest All Age Male

Captain Joy 1.51.6

Breeder: Marie Ross

Fastest All Age Female

Lady Lexus 1.52.3

Breeder: Rob Van Dyke

Fastest All Age Trotter Female

Arizona Blue 1.56.9

Breeder: John Heath

Fastest All Age Trotter Male

Imadunnadogood 2.00.3

Breeder: Ray Chaplin

Fastest 3yo Male Pacer

Excel Stride 1.52.1

Breeder: Emilio & Maria Rosati

Fastest 3yo Female Pacer

Rainbow Dasher 1.53

Breeder: Ron Lloyd

Fastest 3yo Male Trotter
Elegant Image 2.01.8
Breeder: Anthony Ryan

Fastest 3yo Female Trotter
Moyabamba 2.03
Breeder: Kevin Hipkins

Fastest 2yo Colt/Gelding
Mr Nickel 1.56.5
Breeder: John Bagshaw

Fastest 2yo Filly
Oh Eye See 1.55.3
John & Mary Gibson

Fastest 2yo Trotter Female
Pacobamba 2.05.4
Breeder: Kevin Hipkins

Regional Awards
Fastest Member Bred Horse at Hunter Tracks
Forest Crusader 1.55.4
Newcastle 14/1/2011
Breeder: Noel Mexon

Fastest Member Bred Horse at Riverina Tracks
Sweet Carolina 1.59.3
Young 17/6/2011
Breeder: Tony Linnane

Fastest Member Bred Horse Western Districts Tracks
Two Eye See 1.58.2
Forbes 1/5/2011
Breeder: John & Mary Gibson

Fastest Member Bred Horse Sydney Provincial Meeting
Mysterious Quartet 1.54.8
Menangle 10/1/2011
Breeder: Rob Nalder

Fastest Member Bred Horse Sydney Provincial Excluding
Menangle
Mysterious Quartet 1.58.2
Penrith 18/11/2010

Breeder: Rob Nalder

Fastest Member Bred Horse South East Tracks
Jackson Grant 1.58.4
Canberra 22/11/2010
Breeder: Peter Faulkner

The Association would like to thank its loyal sponsors Alabar Bloodstock, Pepper Tree Farm, Yirribee Pacing Stud, Calderwood Farm, Loddon Valley Stud and Rosswood Stud. These studs have supplied our members with reduced service fees for the last two seasons, with savings of over \$200,000 to members in 2011/12. This alone has had an impact on our membership, which currently sits at 407, and has also contributed to a larger number of matings in NSW, where foal numbers have now increased for three successive seasons.

We would like to thank the hard working Committee of HBNSW who are always thinking outside the square for ways to stimulate and strengthen the future of Standardbred breeding in NSW.



UNITED HARNESS RACING ANNUAL REPORT

The 2011/12 season commenced on a negative note for the whole Industry with the start of the Police Investigation, however with funds from the sale of Harold Park being allocated for future Industry infrastructure and Race Fields Legislation coming to fruition later on, there was some 'light in the tunnel' for the future of Harness Racing in NSW.

The UHRA elected and active Office Bearers for 2011/12 were Neil Day - President, Gavin Fitzpatrick - Vice President, Wally Mann - Secretary, David Thorn - Treasurer, Steve Maguire and Jamie Bond. The Association's Office Bearers and representatives covered all regional centres and worked effectively, communicating and reporting back on pertinent Industry issues.

The UHRA is accredited to look after Trainers and Drivers interests, however most are involved in other facets including owning and breeding, therefore any issue results in a diversified range of views. The Association thus operates on two basic principles ie 'co-operation in the best interests of the Industry as a whole' and 'to present a clear majority view'.

During 2011/12, the UHRA has worked closely with Harness Racing NSW and has forwarded its views, as requested, on such major issues as handicapping, licensing and insurance, junior driver programmes and Breeders Challenge reviews. In saying that, it is fair to say that relationships have at times been strained, with the Police Investigation and serious substance issues hovering over the Industry.

A significant gain for trainers and drivers was Harness Racing NSW accepting the Association's representations on increased remuneration, and announcing that effective 1st July 2012, trainers would receive 7.5% of all placed prizemoney, and drivers would receive 5% also of all placed prizemoney.

Issues that continue to cause angst and robust debate are

participant insurance, which is perceived as inadequate, the ongoing amount of unsustainable fines levied on trainers and drivers, and the Appeals process, which is perceived as inconsistent, costly to all and laborious.

Regrettably we leave the 2011/12 Season with the police investigation still lingering and Appeals dragging on, however on a positive note future infrastructure projects can be seen, prizemoney increases have taken place and trainers and drivers have seen long overdue remuneration increases.

The UHRA will continue to represent the overwhelming majority of honest, hard working participants in the Industry in NSW, whose integrity and ethical standards meet the required criteria.

N.A.Day
President

W.Mann
Secretary



Corporate Structure

OVERVIEW

There is a separation of commercial and regulatory functions within Harness Racing NSW to protect against conflicts of interest, and to ensure that the interests of industry and racing integrity remain paramount.

The basis of the structure during FY2012 was that Harness Racing NSW was split into three major operating divisions (Commercial Services, Regulatory Services and Racing Operations) with a separate secretariat unit to provide support to the CEO and Board.

An internal restructure was undertaken during 2012 to simplify reporting lines and to position the organisation to operate in a more efficient manner. Realigning responsibilities into four separate divisions, the restructure saw the two arms of the Racing Operations Unit again divided. The Integrity Division was created, incorporating the responsibilities of the former Regulatory Services Division and the Regulatory Racing Division, whilst the Racing and Product Development Division was created to undertake the commercial racing responsibilities.

The structure for 2011/12 was as follows.

EXECUTIVE UNIT

The Executive Unit is headed by Chief Executive Officer Mr Sam Nati.

The unit provides administrative support for the CEO and Board, and incorporates judicial responsibilities through the role of the Appeals Secretary. Other functions undertaken include general administration for the organisation including building maintenance, stores and stationery management, travel and accommodation, and records management.

COMMERCIAL OPERATIONS

The Commercial Operations Division is headed by Chief Financial Officer Mr Peter Carney and has a staffing complement of six.

The Division is responsible for the administration of funding arrangements with Tabcorp and the payment of

funds to clubs and the management of the Industry and Racecourse Development Funds administered on behalf of the industry by Harness Racing NSW.

In addition, the Division manages the Centralised Stakes Payment System through which prizemoney and other payments are made to participants on behalf of all clubs. Administration of other finance-related functions such as the collection of fines, licensing and registrations revenue, and management of the Unpaid Forfeits List is also undertaken by the Commercial Services Division.

Information technology services, which are outsourced, and administration of industry leases, insurance and commercial agreements/operations are other responsibilities falling into the remit of the Division.

INTEGRITY

Headed by Regulatory Manager Mr Reid Sanders, the Division is responsible for the provision and coordination of all regulatory, racing and registration services and has a permanent staffing complement of 22.

Regulatory functions of the Division include rules development, stewarding, inquiries and appeals, with the day-to-day control of the stewards and provision of stewarding services provided by the Chairman of Stewards, Mr Bill Cable. The Stewarding Department includes four Senior Stewards each overseeing a major regional racing centre, four Stewards, a Senior Starter and a Cadet Steward. The panel is complimented by the addition of an Integrity Officer in former RWWA Chairman of Stewards Mr John Zucal, appointed specifically to assist Reid Sanders with investigations.

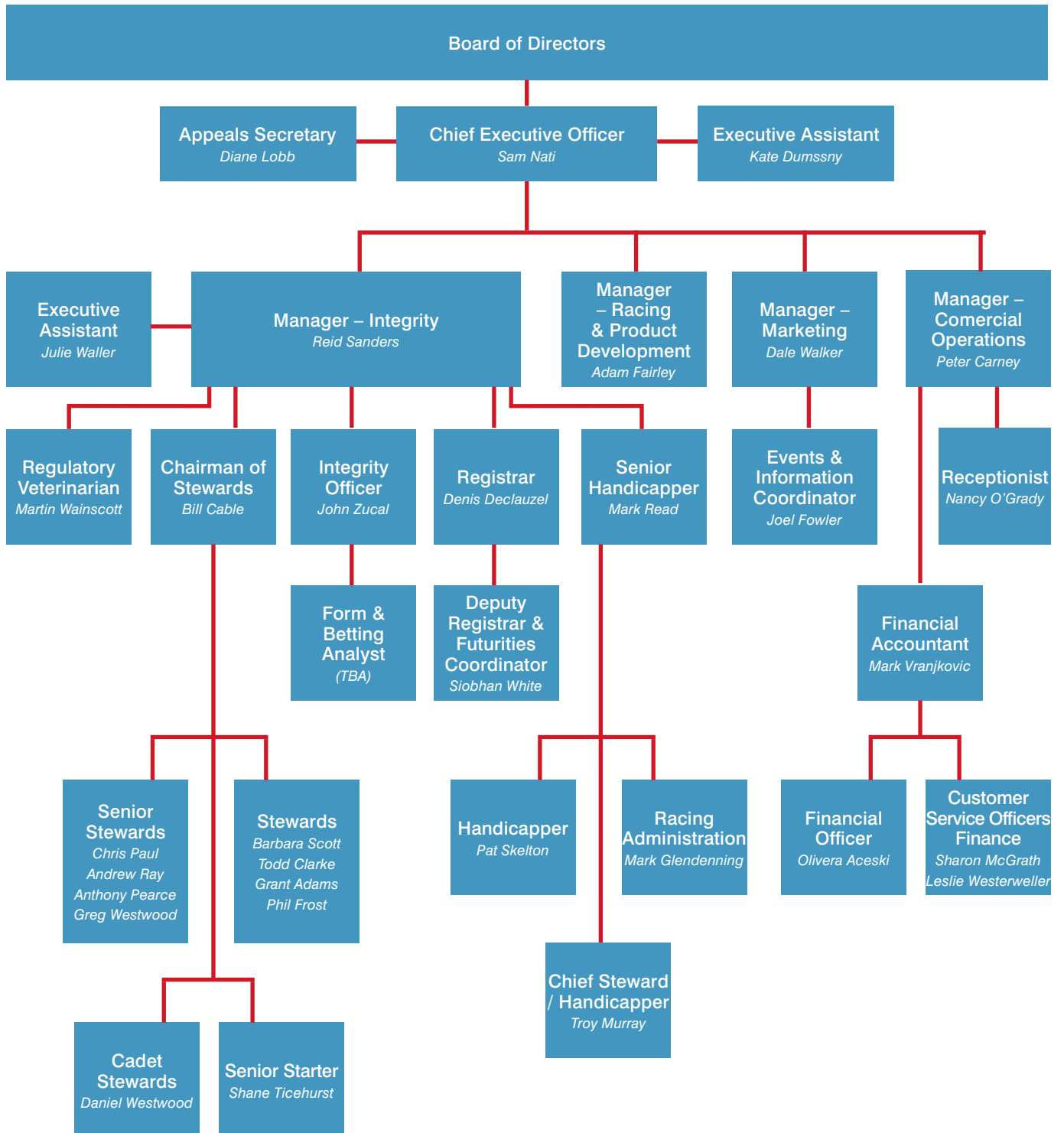
Appointed as Regulatory Veterinarian in November 2011, Dr Martin Wainscott has overseen the expansion of both race day and out of competition drug testing, while providing expert advice on veterinary matters for Steward's enquiries and race day support for clubs, participants and equine athletes.

RACING OPERATIONS

Racing Operations is split into both a Regulatory and Commercial Division.



Organisation Structure



Corporate Governance

BOARD RESPONSIBILITIES

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

In terms of corporate governance the Board is responsible for:

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

BOARD FUNCTIONS

The functions of the Board as outlined in Section 9 of the *Harness Racing Act 2009* include the following:

- a. To control, supervise and regulate harness racing in the State;
- b. To register harness racing clubs, harness racing horses, owners, trainers and drivers of harness racing horses, bookmakers for harness racing and other persons associated with harness racing;
- c. To initiate, develop and implement policies considered conducive to the promotion, strategic development and welfare of the harness racing industry in the State;
- d. To distribute money received as a result of commercial arrangements required by the *Totalizator Act, 1997*;
- e. To allocate harness racing clubs the dates on which they may conduct harness racing meetings.

BOARD STRUCTURE

Up until February 2012 the Harness Racing NSW Board was an industry representative body comprised of four members selected by the industry and an independent chairman selected by the industry-nominated members.

Representation on the Board was as follows:

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

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

The term of office of each member including the chairman was three years.

The term of the then Board expired in February 2012.

The current Board which took office in February 2012 was appointed in accordance with Section 6 of the *Harness Racing Act 2009*.

The Board consists of 5 members recommended for appointment by a Selection Panel and then appointed by the Minister to give effect to the recommendation of the Selection Panel.

THE BOARD

The current Board of Harness Racing NSW took office on 3 February 2012. The Board's aim is to provide a new direction and impetus to Harness Racing NSW's efforts to secure the future of the industry and improve outcomes for its stakeholders.

The varied backgrounds, skills and experience of individual Board Members provides a balanced view of the industry's needs and opens many paths to obtaining solutions for the most pressing issues.

CHAIRMAN

CAMPBELL, Graeme John

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

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

Mr Campbell served two terms on the previous Board and has been appointed for a further term of 2 years.

DIRECTORS

Chris Edwards, Graham Kelly, Alex Smith and Rod Smith – are well known in racing circles and have long associations with the industry.

EDWARDS, Christopher John

Mr Edwards has been involved with harness racing as a hobby owner, trainer, driver and local steward for over 25 years.

A Director of the Dubbo Harness Racing Club since the 1980s, Mr Edwards was Club President from 1992 – 1995, Secretary/Manager from 2000 – 2004 and was elected for two terms as President.

Mr Edwards has been a past President of the Western Districts Harness Racing Clubs Association and Country Clubs Association, and is currently a Vice President of the Dubbo Show Society.

Mr Edwards is a farmer with a property north of Dubbo. Mr Edwards served one term on the previous Board and has been appointed for a further term of 3 years.

KELLY, Graham John

Mr Kelly is the former Chairman of TAB Limited, Sky Channel Limited and Centrebet International Ltd. He is also a former Chairman or Director of several financial services companies, including the State Bank of NSW.

Mr Kelly was also the Inaugural Inspector of the Independent Commission Against Corruption and a former Chairman, Managing Partner and Partner of Freehills, Solicitors.

Mr Kelly has been appointed for a term of 4 years.

SMITH, Alexander Stewart AM

Mr Smith has significant high level public sector experience, including being the former Deputy Director General of the NSW Department of Premier and Cabinet and the NSW Premier's Department.

Mr Smith was made a member of the Order of Australia in 2002 in recognition of his contribution to public administration in NSW

Mr Smith has been appointed for a term of 4 years.

SMITH, Rodney Graham

Mr Smith has more than 21 years of experience in the corporate finance sector and business ownership in the motor retail sector.

His interest include breeding, racing and administrative involvement in the harness racing industry, including roles as the former Treasurer of Bathurst Harness Racing Club and Vice President of the NSW Owners Association. Mr Smith has been appointed for a term of 4 years.

MEETINGS

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

During the year the Members met 13 times. Attendance at meetings was as follows:

Board Member	Meetings Held	Total Attended
G Campbell	13	13
C Edwards	13	13
G Kelly	6	6
A Smith	6	6
R Smith	6	6
L Bentley	7	7
R Horne	7	7
R Nalder	7	6

Financial Statements for the year ended 30 June 2012

Harness Racing New South Wales

Members' Report

Members' Declaration

Lead Auditor's Independence Declaration

Auditor's Report

Statement of Comprehensive Income

Statement of Financial Position

Statement of Changes in Equity

Statement of Cash Flows

Notes to the Financial Statements

Industry Fund

Members' Declaration

Auditor's Report

Statement of Comprehensive Income

Statement of Financial Position

Statement of Changes in Equity

Statement of Cash Flows

Notes to the Financial Statements

Racecourse Development Fund

Members' Declaration

Auditor's Report

Statement of Comprehensive Income

Statement of Financial Position

Statement of Changes in Equity

Statement of Cash Flows

Notes to the Financial Statements

Contents

Members' Report	56
Members' Declaration	59
Lead Auditor's Independence Declaration	60
Independent Auditors' Report	61
Statement of Comprehensive Income	63
Statement of Financial Position	65
Statement of Cash Flows	66
Statement of Changes in Equity	66
Notes to the Financial Statements	67



Members' Report

The Members of Harness Racing New South Wales (HRNSW) present their report together with the financial statements for the financial year ended 30 June 2012.

HRNSW is a statutory corporation (entity) constituted under the *Harness Racing Act 2009 (as amended)*.

MEMBERS

The Members of HRNSW in office at the date of this report are:

Mr Graeme Campbell - Chairman

Mr Chris Edwards

Mr Graham Kelly

Mr Alex Smith

Mr Rod Smith

Messrs Graham Kelly, Alex Smith and Rod Smith were appointed on 3 February 2012.

The following persons were Members of HRNSW from the beginning of the financial year until the date of their retirement:

	Date of Retirement
Mr Les Bentley	3 February 2012
Mr Rex Horne	3 February 2012
Mr Robert Nalder	3 February 2012

MEMBERS MEETINGS

During the year members met 13 times. Attendance at meetings was as follows:

Name	Attended	Number Eligible to Attend
Mr Graeme Campbell	13	13
Mr Chris Edwards	13	13
Mr Graham Kelly	6	6
Mr Alex Smith	6	6
Mr Rod Smith	6	6
Mr Les Bentley	7	7
Mr Rex Horne	7	7
Mr Rob Nalder	6	7

Member emoluments are shown in the attached financial statements.

PRINCIPAL ACTIVITIES

The principal activities of HRNSW during the period included the following functions:

- registration of harness racing clubs and harness racing associations,

- Initiation, development and implementation of policies considered conducive to the promotion, strategic development and welfare of the harness racing industry in the State,
- Distribution of money received as a result of commercial arrangements required by the *Totalizator Act 1997*,
- Allocation to harness racing clubs and harness racing associations of the dates on which they may conduct harness racing meetings and harness races, and
- Development and review of policy in relation to the breeding and handicapping of harness racing horses.

RESULT

The surplus for the year amounted to \$15,468,163 (2011: Surplus \$339,407). The result includes Race Fields monies that were previously held in trust pending the outcome of a High Court appeal by both Sportsbet Pty Ltd and Betfair Pty Ltd.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year the entity won two significant cases in the High Court of Australia.

In 2011 both Betfair Pty Ltd and Sportsbet Pty Ltd were granted leave to appeal to the High Court of Australia over the decision handed down by the full bench of the Federal Court in relation to cases initiated by them against Racing New South Wales and Harness Racing New South Wales.

The appeals were heard by the High Court in late August / early September 2011 and a decision was handed down in favour of both Harness Racing New South Wales and Racing New South Wales on 30 March 2012.

As a consequence HRNSW was able to recognise \$22,748,365 for the period to 30 June 2012, most of which had previously been held in Trust pending a determination of the matters.

These funds were used to repay loans to other related entities that had incurred expenses on behalf of HRNSW, including prize money subsidies, since the legal challenges had begun. Surplus funds will be used for the benefit of the industry.

STAFF

The entity employed thirty five (35) employees as at 30 June 2012 (2011: 34).

As at the date of this report the entity had thirty five (35) employees.

EVENTS SUBSEQUENT TO BALANCE DATE

There are no matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect:

- i) the operation of the entity;
- ii) the results of these operations;
- iii) the state of affairs of the entity, in future years.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, Members support and have adhered to the principles of good corporate governance including by the adherence to an agreed Code of Conduct and the disclosure of interests by Members.

Members' Report (continued)

LIKELY FUTURE DEVELOPMENTS

There are no likely developments which will affect the operations of the entity in subsequent years except as disclosed above.

MEMBERS BENEFITS

Neither since the financial year, nor during the financial year, has a Member received or become entitled to receive a benefit by reason of a contract made by the entity or a related body corporate which the Member or with a firm of which the Member is a member, or a company in which the Member is a member, or a company in which the Member has a substantial interest other than the interests of Mr Rod Smith through a contract for the supply of vehicles on commercial terms to HRNSW through Terry Shields Toyota.

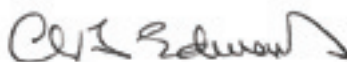
AUDITOR INDEPENDENCE

The lead auditor's independence declaration has been received and accepted.

Signed in accordance with a resolution of the Members at Bankstown, 29th day of August 2012.



.....
Graeme Campbell - Chairman



.....
Chris Edwards - Member

Members' Declaration

The Members of Harness Racing New South Wales (HRNSW) present their declaration for the financial year ended 30 June 2012.

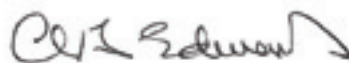
In the opinion of the Members of the entity:

- (a) the accompanying financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the entity's financial position as at 30 June 2012 and its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due, and
- (c) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 3 (a).

Signed in accordance with a resolution of the Members at Bankstown, dated 29th August 2012:



.....
Graeme Campbell - Chairman



.....
Chris Edwards - Member

Level 6
350 Kent Street
Sydney NSW 2000

K.S. Black & Co.

ABN 57 446 388 808

Level 1, 460 Church Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

Lead Auditor's Independence Declaration

To the Members of Harness Racing New South Wales:

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been:

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



K S Black & Co
Chartered Accountants

Faizal Ajmat
Partner

Sydney

Dated: 29 August 2012



Phone 02 8839 3000 Fax 02 8839 3055
www.ksblack.com.au



Independent Auditors' Report To The Members Of Harness Racing New South Wales

Report on the financial report

We have audited the accompanying financial report of Harness Racing New South Wales (the 'entity') which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the members' declaration.

Members' responsibility for the financial report

The members of the entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 3(a), the members also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the company, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditors' responsibility

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

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

Independent Auditors' Report

To The Members Of Harness Racing New South Wales (Cont)

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

Auditors' opinion on the financial report

In our opinion:

- a. the financial report of Harness Racing New South Wales:
 - i. gives a true and fair view of the entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
 - ii. complies with Australian Accounting Standards (including the Australian Accounting Interpretations).
 - iii. complies with the Harness Racing Act (NSW) 2009.
- b. the financial report of the entity also complies with International Financial Reporting Standards as disclosed in note 3(a).



K S Black & Co <i>Chartered Accountants</i>		Faizal Ajmat <i>Partner</i>
---	--	---------------------------------------

Sydney

Dated: 29 August 2012

Statement of Comprehensive Income

for the financial year ended 30 June 2012

	Note	2012 \$	2011 \$
REVENUE from continuing operations			
Product Fee	4(a)	24,468,845	25,830,848
Wagering Incentive Fee	4(a)	9,097,313	7,077,104
Race Fields Income	4(b)	22,748,365	-
Interest on Race Fields monies	4(c)	2,137,761	-
Finance Income – Interest Revenue		81,235	58,828
Grants Received - Racecourse Development Fund	4(d)	1,804,241	29,010
Grants Received - RDF - Special Investigation	4(e)	412,490	-
Grants Received - Industry Funds	4(f)	170,000	155,000
NSW Harness Racing Gazette	4(g)	191,749	205,184
Sponsorship		30,000	60,000
Registration & Licensing Income		959,381	901,251
Stewarding Fees Charged to Clubs		849,623	850,000
Other Income	4(h)	24,673	68,398
Additional Race Funding	4(i)	-	4,025,577
Total Revenue		62,975,674	39,261,199
EXPENSES from continuing operations			
HRNSW TAB Distribution:			
to Clubs	5(a)	26,484,352	26,181,714
to Industry Fund	5(b)	2,344,448	2,303,557
to Racecourse Development Fund	5(c)	666,141	658,159
Funding of races from Race Fields Monies	5(d)	8,177,233	-
Funding of races from Other Sources		-	4,025,577
Repayment of EI Funding	5(e)	-	70,000
HRA Membership Levy		110,013	110,178
Employee Salaries and Related Expenses	5(f)	3,123,881	3,242,926
Members Fees	5(g)	101,514	98,292
NSW Harness Racing Gazette		194,371	216,813
Postage, Printing & Stationery		145,198	121,564
Travel	5(h)	303,277	221,705
Consultancy & Contractors		-	7,800
Occupancy Expenses		114,842	120,136
Equipment Expenses		37,105	31,841
IT and Communication Expenses	5(i)	258,208	276,803
Depreciation Expense		252,089	181,596
Insurance		34,005	65,731
Racing Integrity Expenses	5(j)	818,349	661,427
Racing Integrity Expenses - Special Investigation	5(k)	412,490	-
Sky Video expenses		486,514	-
Bad debt Expense	5(l)	2,163	7,829
Other Expenses	5(m)	143,183	111,609

Statement of Comprehensive Income continued

	Note	2012 \$	2011 \$
EXPENSES from continuing operations continued			
Race Fields Reimbursement to RDF - Video Fees	5(n)	3,135,425	-
Amalgamation Expenses	5(o)	83,988	92,060
Transfer Fine Income to Benevolent Fund		3,125	13,712
Transfer Fine Income to Industry Fund		75,598	100,765
Total Expenses		47,507,512	38,921,792
SURPLUS FOR THE YEAR		15,468,163	339,407
Comprehensive income			
Other Comprehensive income		-	-
Other comprehensive income for the year		-	-
Total Comprehensive income for the year		15,468,163	339,407

The accompanying notes form part of these financial statements

Statement of Financial Position

As at 30 June 2012

	Note	2012 \$	2011 \$
CURRENT ASSETS			
Cash	6	2,099,156	156,116
Deposits		14,694,025	195,000
Trade and Other Receivables	7	12,618,977	13,462,791
Other	8	33,793	21,696,315
Total Current Assets		29,445,950	35,510,222
NON-CURRENT ASSETS			
Property, Plant and Equipment	10	3,279,318	1,642,055
Land	9	950,398	950,000
Total Non-Current Assets		4,229,716	2,592,055
TOTAL ASSETS		33,675,666	38,102,278
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	11	16,493,274	14,143,136
Provision for Employee Benefits	12	501,481	513,868
Other	14	-	22,048,396
Total Current Liabilities		16,994,755	36,705,399
NON-CURRENT LIABILITIES			
Trade and Other Payables	15	1,314,911	1,499,041
Total Non-Current Liabilities		1,314,911	1,499,041
TOTAL LIABILITIES		18,309,666	38,204,441
NET ASSETS (DEFICIENCY IN)		15,366,000	(102,163)
EQUITY			
Accumulated Surplus / (Deficit)		15,366,000	(102,163)
TOTAL EQUITY/(DEFICIENCY IN)		15,366,000	(102,163)

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the financial year ended 30 June 2012

	Note	2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Participants and Government Grants		45,858,844	49,872,164
Receipts from Other Operating Income		-	-
Interest Received		81,235	58,828
Payments to Suppliers, Employees and Participants		(27,340,146)	(50,148,962)
Amalgamation Costs		(83,988)	(92,060)
Net Cash Provided by / (Used in) Operating Activities	20	18,515,944	(310,030)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Property, Plant & Equipment		(1,889,750)	(25,045)
Payments for Investments		(14,499,025)	(195,000)
Net Cash Used in Investing Activities		(16,388,775)	(220,045)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan repayment		(184,130)	(175,144)
Net Cash Used in Financing Activities		(184,130)	(175,144)
Net Increase / (Decrease) in Cash and Cash Equivalents Held		1,943,040	(705,219)
Cash and Cash Equivalents at the Beginning of the Year		156,116	861,336
Cash and Cash Equivalents at the End of the Year	6	2,099,156	156,116

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the financial year ended 30 June 2012

	Note	2012 \$	2011 \$
Total equity at the beginning of financial year		(102,163)	(441,569)
Total comprehensive income		15,468,163	339,407
Total recognised income and expense for the year		15,468,163	339,407
Total equity at the end of the financial year		15,366,000	(102,163)

The accompanying notes form part of these financial statements

Notes to the Financial Statements

for the financial year ended 30 June 2012

1. THE REPORTING ENTITY

a) Harness Racing New South Wales (HRNSW)

HRNSW is an independent body incorporated as a statutory body under the *Harness Racing Act 2009*.

b) Benevolent Fund

The Benevolent Fund was set up to assist persons associated with the harness racing industry in New South Wales who are in indigent circumstances and require financial assistance. The assets, liabilities and transactions of the Fund are incorporated into these financial statements and summarised in Note 13.

c) Separate Funds

The following funds administered by HRNSW are not incorporated in these financial statements:

- i. Harness Racing Racecourse Development Fund.
- ii. Harness Racing Industry Fund.

HRNSW prepares and furnishes separate financial statements for these funds in its Annual Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

This financial report is a general purpose financial report that has been prepared in accordance with International Financial Reporting Standards as applicable to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

a) Income Tax

HRNSW is registered as a not-for-profit

organisation with the Australian Taxation Office. Income is not subject to income tax.

b) Revenue Recognition

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

TAB Distributions

Distributions from Tab Limited ("TAB") are recognised as they accrue to the benefit of the entity based on distribution advices received from TAB.

Interest Earned / Financial Income

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.

Other Income

Revenue earned from all other activities is recognised when the product or service in respect of which the fees have been charged is receivable.

c) Receivables

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

d) Property, Plant and Equipment

Each class of Buildings, Property, plant and equipment are measured at cost (except for land as described in Note 9) less accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the Board to ensure that it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the accepted net cash flows which will be received from the asset's employment and subsequent disposal.

Buildings, property, plant and equipment are depreciated on a straight line basis over their useful lives, as follows:

Notes to the Financial Statements (Continued)

Buildings	4%
Plant and equipment	10 - 40%
Telecommunications, computers	25 - 40%

Fixed asset purchases of items below \$1,000 are written off to expense in the year of acquisition.

The asset's residual values are reviewed and adjusted if appropriate at each balance 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.

e) Revaluation of Non-Current Assets

Non-current assets are revalued every five years or sooner if a revaluation is deemed to be material and may be performed for all the non-current assets or a class of non-current assets. None the less, as stated above, non-current assets are not carried at an amount exceeding the recoverable amount.

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

f) Loans and Borrowings

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

g) Employee Salaries and Related Expenses

Provision is made for employee entitlement benefits accumulated as a result of an employee's service up to the reporting date. These benefits

include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts, plus related on-costs. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

Contributions are made by the entity to employee superannuation funds and are charged as expenses when incurred.

h) Goods and Services Tax (GST)

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

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

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

i) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

j) Financial Instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Notes to the Financial Statements (Continued)

k) Comparative Figures

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

l) Revision of Accounting Estimates

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

m) Events Subsequent to Reporting Date

There are no matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect:

- i) the operation of the entity
- ii) the results of these operations
- iii) the state of affairs of the entity, in future years

n) New Accounting standards and interpretations

There are no new standards or interpretations which have a material effect on the financial statements.

o) Operating Leases

Where HRNSW is a lessee, payments on operating lease agreements are recognised as an expense on a straight line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

p) Finance Income and Expenses

Finance costs are expensed in the period in which they are incurred.

Finance income consists of interest from banks and other financial institutions. Interest is recognised as it accrues.

q) GHRRA Assets and Liabilities transferred

By order of the Minister of Gaming and Racing, all harness related assets and liabilities of the Greyhound and Harness and Harness Racing Regulatory Authority were transferred to Harness Racing New South Wales on 1 July 2009.

3. BASIS OF PREPARATION

a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the *Harness Racing Act 2009*. The financial report of the entity also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of estimates and judgements

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

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

There are no major estimates that impact these financial statements.

Notes to the Financial Statements (Continued)

4 REVENUE	2012 \$	2011 \$
(a) Product Fee	24,468,845	25,830,848
Wagering Incentive Fee	9,097,313	7,077,104
HRNSW's share of the TAB Distribution is paid by NSW Racing Pty Ltd. HRNSW's share is determined by the Intercode Deed. Product fees (Daily, and quarterly) are based on wagering turnover (all codes) and Wagering Incentive Fees (WIF), paid half yearly, are based on wagering profitability (All Codes).		
	33,566,158	32,907,952
(b) Race Fields Income		
Race Fields Income recognised following the High Court decision.	22,748,365	-
	22,748,365	-
(c) Race Fields Interest Income		
Interest Income recognised on Race Fields monies held in Trust following the High Court Decision.	2,137,761	-
	2,137,761	-
(d) Grants Received - Racecourse Development Fund		
Funding for purchase of 22 Meredith Street	1,269,602	-
Funding for purchase of land at Goulburn	425,106	15,965
Funding for purchase of Other Equipment	109,533	13,045
	1,804,242	29,010
(e) Grants received for Special Investigation		
Grant Received - Racecourse Development Fund for special investigation expenses	412,490	-
	412,490	-
(f) Grants Received - Industry Fund		
Management of Centralised Stakes Payment System	149,000	135,000
Sires Stakes Management Fee	21,000	20,000
	170,000	155,000
(g) Harness Racing Gazette Income		
Subscriptions	126,019	127,182
Advertising Income	65,730	78,001
	191,749	205,184
(h) Other Income		
Benevolent Fund	3,125	13,712
Other	21,548	54,686
	24,673	68,398
(i) Additional Race Funding		
Additional Race Funding from non Race Fields sources	-	4,025,577
	-	4,025,577

Notes to the Financial Statements (Continued)

5 OPERATING EXPENSES	2012 \$	2011 \$
(a) HRNSW TAB Distribution to Clubs		
NSWHRC - Principal Club	11,579,155	11,497,946
NSWHRC - Menangle	826,535	803,973
Bankstown	780,128	722,524
Bathurst	1,998,991	1,989,711
Bulli	760,082	728,938
Dubbo	609,975	603,873
Goulburn	308,621	272,708
Newcastle	2,856,229	3,096,436
Parkes	575,984	538,149
Penrith	1,993,776	2,177,651
Tamworth	787,959	837,941
Wagga Wagga	1,397,746	1,268,075
Young	758,542	721,970
Non TAB Clubs	1,250,630	921,820
	26,484,352	26,181,715
(b) HRNSW Distribution to Industry Fund		
HRNSW is required under the Intra Code Agreement to distribute a percentage of its share of the TAB Distribution to the Industry Fund for the development and furtherance of the industry in NSW.		
The amount distributed to the Industry Fund is equal to 6% (2011: 6%) of the HRNSW share of the TAB Distribution.	1,998,419	1,974,477
Additional Carnival of Cups Levy - 1% (2011: 1%).	346,028	329,080
	2,344,448	2,303,557
(c) HRNSW TAB Distribution to Racecourse Development Fund.		
The amount distributed to the Industry Fund is equal to 2% (2011: 2%) of the HRNSW share of the TAB Distribution.	666,141	658,159
	666,141	658,159
(d) Funding of races from Race Fields monies		
Funding of races from Race Fields monies	8,177,233	-
	8,177,233	-
The funding represents payments made for races conducted during FY 2012 and prior years including funding paid by other entities as outlined in Note 4 (i)		
(e) Repayment of EI Costs		
	-	70,000
	-	70,000
During the year ended 30 June 2007 the RDF advanced to Harness Racing NSW \$210,000 to cover the costs incurred by HRNSW during the outbreak of equine influenza. The costs were being recouped over a three year period ending 30 June 2011.		
(f) Employee Salaries and Related Expenses		
Salaries	2,713,630	2,720,357
Superannuation	244,140	245,749
Payroll Tax	131,608	133,393
Annual & Long Service Leave	(12,386)	101,749

Notes to the Financial Statements (Continued)

5	OPERATING EXPENSES continued...	2012 \$	2011 \$
	Workers Compensation Insurance	18,315	15,697
	Temporary Staff and Other	28,574	25,982
		3,123,881	3,242,926
(g)	Members Fees		
	Graeme Campbell	35,290	34,254
	Chris Edwards	20,183	19,160
	Graham Kelly	4,976	-
	Alex Smith	4,964	-
	Rod Smith	5,318	-
	Les Bentley	11,085	16,160
	Rex Horne	9,849	14,359
	Robert Nalder	9,849	14,359
		101,514	98,292
(h)	Travel expenses		
	Employees	293,595	218,937
	Members	9,682	2,768
		303,277	221,705
(i)	IT and Communication Expenses		
	IT Support & Software	191,854	188,234
	Phone, fax and related expenditure	66,354	88,569
		258,208	276,803
(j)	Racing Integrity		
	Swab Testing and reporting	599,539	473,932
	Stewards inquiries	61,849	60,116
	Registration Processing	123,466	42,941
	Integrity Auditor	27,897	20,000
	Freeze Branding	5,598	64,438
		818,349	661,427
(k)	Racing Integrity Expenses		
	Special Investigation Expenses	412,490	-
		412,490	-
(l)	Bad Debts		
	Bad Debts Written Off	2,163	9,333
	Movement in Provision	-	(1,504)
		2,163	7,829
(m)	Other expenses		
	Bank Charges	17,803	19,679
	Legal and audit fees	53,523	51,293
	Couriers	6,551	4,153
	Subscriptions	4,956	3,395
	Sponsorship Expenses	11	2,920

Notes to the Financial Statements (Continued)

5	OPERATING EXPENSES continued...	2012 \$	2011 \$
	Benevolent Fund expenses	15,450	7,813
	Sundry Expenses	44,887	22,356
		143,183	111,609
(n)	Reimbursement to RDF - Sky Video expenses		
	Reimbursement of Sky Video production expenses to RDF	3,135,425	-
		3,135,425	-
<p>As previously agreed at a HRCC meeting Sky Video production fees were to be paid by the Racecourse Development Fund until a decision had been determined in the Race Fields matter. Following the successful decision in favour of Harness Racing NSW the Fund was reimbursed the expenses it had incurred for the period to 30 March 2012 out of Race Fields receipts.</p>			
(o)	Amalgamation Expenses		
	Interest on NSW Government Loan	83,988	92,060
		83,988	92,060
	Refer Note 12.		
6	Cash		
	Cash at Bank	2,098,876	155,836
	Cash on Hand	280	280
	The entity has an overdraft limit of \$250,000 at the bank (2011: \$250,000) - unused at year end.	2,099,156	156,116
7	Receivables		
	Trade Debtors	1,825,584	1,073,493
	Less provision for Doubtful Debts	(39,107)	(39,107)
	NSW Racing Pty Ltd	9,268,915	8,358,355
	Related Party	1,082,439	4,025,576
	Other Debtors	481,147	44,474
		12,618,977	13,462,791
<p>Trade debtors are non-interest bearing and generally are on thirty day terms. All other current receivables are non-interest bearing and are receivable between seven and ninety days.</p>			
8	Other		
	Race Fields account	-	21,665,544
	Prepayments	32,353	29,331
	Funeral Certificates	1,440	1,440
		33,793	21,696,315
<p>Race Fields account includes monies received from corporate bookmakers during the period to 30 June 2011. Due to the impending High Court decision at 30 June 2011 none of the monies in the account was recognised as income at the time.</p>			
9	Land		
	Black Hill (Beresfield)	950,398	950,000
		950,398	950,000

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

Notes to the Financial Statements (Continued)

10. PROPERTY, PLANT & EQUIPMENT

	Freehold Land \$	Freehold Buildings \$	Computer Equipment \$	Furniture & Fittings \$	Other Equipment \$	Motor Vehicles \$	Total \$
As at 1 July 2010							
Cost or fair value	587,012	792,113	610,614	30,825	319,908	241,101	2,581,573
Accumulated depreciation	(826)	(81,651)	(327,848)	(7,025)	(124,516)	(241,101)	(782,967)
Net Book Value	586,186	710,462	282,766	23,800	195,392	-	1,798,606
Year ended 30 June 2011							
Opening Net Book value	586,186	710,462	282,766	23,800	195,392	-	1,798,606
Additions	12,000	-	10,065	-	2,980	-	25,045
Acquisition of a business	-	-	-	-	-	-	-
Depreciation charge	(826)	(31,519)	(108,955)	(5,439)	(34,857)	-	(181,596)
Depreciation charge B/Fwd from acquisition	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Depreciation on disposals	-	-	-	-	-	-	-
Closing net book amount	597,360	678,943	183,877	18,361	163,515	-	1,642,055
At 30 June 2011							
Cost or fair value	599,012	792,113	620,679	30,825	322,888	-	2,365,517
Accumulated depreciation	(1,652)	(113,170)	(436,803)	(12,464)	(159,373)	-	(723,462)
Net Book Value	597,360	678,943	183,877	18,361	163,515	-	1,642,055
Year ended 30 June 2012							
Opening Net Book value	597,360	678,943	183,877	18,361	163,515	-	1,642,055
Additions	1,126,055	651,243	57,806	-	54,248	-	1,889,352
Acquisition of a business	-	-	-	-	-	-	-
Depreciation charge	1,652	(42,155)	(163,354)	(8,225)	(40,006)	-	(252,089)
Depreciation charge B/Fwd from acquisition	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Depreciation on disposals	-	-	-	-	-	-	-
Closing net book amount	1,725,067	1,288,031	78,328	10,136	177,756	-	3,279,318
At 30 June 2012							
Cost or fair value	1,725,067	1,443,356	678,485	30,825	377,136	-	4,254,868
Accumulated depreciation	(0)	(155,325)	(600,157)	(20,689)	(199,380)	-	(975,551)
Net Book Value	1,725,067	1,288,031	78,328	10,136	177,756	-	3,279,318

On 1 July 2009 HRNSW acquired the net harness assets of the former Greyhound and Harness Racing Regulatory Authority ("GHRRA"). As part of the transition net Property, Plant and Equipment assets of \$1,614,908 were transferred to HRNSW for nil consideration.

Notes to the Financial Statements (Continued)

11 PAYABLES	2012 \$	2011 \$
Australian Taxation Office	115,988	324,830
Prize Money Payments	966,959	939,410
HRNSW Distribution	9,063,289	8,530,903
Other creditors	4,123,129	1,876,940
Related parties	2,039,778	2,295,910
Loan - NSW Government	184,130	175,143
	16,493,274	14,143,136

The Loan from the NSW Government was taken out to assist with meeting the costs associated with the dissolution of the Greyhound and Harness Racing Regulatory Authority (GHRRA) and the amalgamation with Harness Racing New South Wales. The costs included unfunded Defined Benefit Scheme Superannuation contributions, unfunded recreational and long service leave, transfer costs for GHRRA staff who migrated to HRNSW and redundancy costs.

12 Provision for Employee benefits	2012 \$	2011 \$
Annual Leave	284,855	234,993
Long service Leave	216,626	278,875
	501,481	513,868

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed their required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current as HRNSW does not have an unconditional right to defer settlement of any of these obligations. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to these financial statements.

13 Benevolent Fund	2012 \$	2011 \$
Interest earned	11,546	10,011
Other Revenue	3,125	13,712
Less Administration expenses	(67)	(4,944)
Less Disbursements	(15,383)	(2,869)
Operating Surplus (Deficiency)	(778)	15,910
Accumulated Surplus - Brought Forward	200,778	184,868
Accumulated Surplus - Carried Forward	200,000	200,778
Represented by:		
Cash	2,442	6,210
Investments	191,061	195,000
Loans Receivable	7,643	2,805
Trade Receivables	3,415	200
Transferable Funeral Certificates	1,440	1,440
Payables	(6,000)	(4,877)
Net Assets	200,000	200,778

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

14 Other	2012 \$	2011 \$
Unearned Race Fields Revenue	-	22,048,396
	-	22,048,396

The Unearned Race Fields revenue consists of monies received from corporate bookmakers during the period to 30 June 2011. Due to the impending appeal to the High Court none of this revenue was recognised. Following the successful outcome of the case in favour of HRNSW all the unearned revenue was subsequently realised.

Notes to the Financial Statements (Continued)

15 Non Current payables	2012 \$	2011 \$
Loan - NSW Government	1,314,911	1,499,041
	1,314,911	1,499,041
Refer Note 12 above		

16. SUPERANNUATION COMMITMENTS

	SASS 30 June 2012	SANCS 30 June 2012	SSS 30 June 2012	Total 30 June 2012
Member Numbers				
- Contributors	2	2	0	
- Deferred benefits	0	0	0	
- Pensioners	0	0	0	
Pensions fully commuted	0	0	0	
Superannuation position for AASB 119 purposes	\$A	\$A	\$A	\$A
Accrued liability	626,734	94,282	0	721,016
Estimated reserve account balance	(623,771)	(93,788)	0	(717,559)
	2,963	494	0	3,457
Future service liability (note 1)	(94,795)	(33,243)	0	(128,038)
Surplus in excess of recovery available from schemes	0	0	0	0
Net (asset) / liability to be recognised in statement of financial position	2,963	494	0	3,457

Note 1:

The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 58). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the total of any unrecognised past service cost and the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions from the plan. Where the "surplus in excess of recovery" is zero, no asset ceiling limit is imposed.

AASB 119 Disclosure items

Accounting Policy AASB 119 – Paragraph 120 A (a)

Actuarial gains and losses are recognised immediately in other comprehensive income in the year in which they occur.

Fund Information AASB 119 – Paragraph 120 A (b)

The pooled fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- Police superannuation Scheme (PSS)
- State Authorities Non-contributory Superannuation scheme (SANCS)

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All the schemes are closed to new members.

Notes to the Financial Statements (Continued)

Reconciliation of the present value of the defined benefit obligation (AASB 119 paragraph 120 A (c))

	SASS Financial Year to 30 June 2012 \$A	SASS Financial Year to 30 June 2012 \$A	SASS Financial Year to 30 June 2012 \$A
Present value of partly funded defined benefit obligation at beginning of the year	560,140	82,035	0
Current service cost	21,989	3,535	0
Interest cost	28,230	4,101	0
Contributions by Fund participants	11,445	0	0
Actuarial (gains) / losses	28,139	9,062	
Benefits paid	(23,209)	(4,450)	
Past service cost	0	0	0
Curtailments	0	0	0
Settlements	0	0	0
Business combinations	0	0	0
Exchange rate changes	0	0	0
Present value of partly funded defined benefit obligation at the end of the year	626,734	94,282	0

Reconciliation of the fair value of Fund assets (AASB 119 – paragraph 120 A (e))

	SASS Financial Year to 30 June 2012 \$A	SASS Financial Year to 30 June 2012 \$A	SASS Financial Year to 30 June 2012 \$A
Fair value of Fund assets at the beginning of the year	590,838	93,907	0
Expected return on Fund assets	49,621	7,877	0
Actuarial (gains) / losses	(28,174)	(7,650)	0
Employer contributions	23,250	4,105	0
Contributions by Fund participants	11,445	0	0
Benefits paid	(23,209)	(4,450)	0
Settlements	0	0	0
Business combinations	0	0	0
Exchange rate changes	0	0	0
Fair value of Fund assets at the end of the year	623,771	93,788	0

Reconciliation of the assets and liabilities recognised in the statement of financial position AASB 119 – paragraphs 120 A (d) and (f)

Notes to the Financial Statements (Continued)

	SASS Financial Year to 30 June 2011 \$A	SASS Financial Year to 30 June 2011 \$A	SASS Financial Year to 30 June 2011 \$A
Present value of partly funded defined benefit obligation at end of the year	626,734	94,282	0
Fair value of Fund assets at end of year	(623,771)	(93,788)	0
Sub Total	2,963	494	0
Unrecognised past service cost	0	0	0
Unrecognised gain / (loss)	0	0	0
Adjustment for limitation on net asset	0	0	0
Net liability/(asset) recognised in statement of financial position at end of year	2,963	494	

Expense recognised in income statement AASB 119 – paragraph 46 & 120 A (g)

	SASS Financial Year to 30 June 2012 \$A	SASS Financial Year to 30 June 2012 \$A	SASS Financial Year to 30 June 2012 \$A
Components recognised in Income statement			
Current service cost	21,989	3,535	0
Interest cost	28,230	4,101	0
Expected return on Fund assets (net of expenses)	(49,621)	(7,877)	0
Actuarial losses/(gains) recognised in year	0	0	0
Past service cost	0	0	0
Movement in adjustment for limitation on net asset	0	0	0
Curtailment or settlement (gain) / Loss	0	0	0
Expense / (Income) recognised	598	(241)	0

Amounts recognised in other comprehensive income AASB 119 – paragraph 120 A (h)

	SASS Financial Year to 30 June 2012 \$A	SASS Financial Year to 30 June 2012 \$A	SASS Financial Year to 30 June 2012 \$A
Actuarial (gains) / Losses	56,314	16,712	0
Adjustment for limit on net asset	0	0	0

Cumulative amount recognised in other comprehensive income AASB 119 – paragraph 120 A (i)

Note. This information will need to be manually calculated by agencies by adding the actuarial gains and losses and adjustment for limit on net assets (if any) above, to previous amounts advised.

Notes to the Financial Statements (Continued)

Fund Assets AASB 119 – paragraph 120 A (j)

The percentage invested in each asset class at the balance sheet date:

	30 June 2012
Australian equities	28.0%
Overseas equities	23.7%
Australian Fixed income securities	4.9%
Overseas fixed interest securities	2.4%
Property	8.6%
Cash	19.5%
Other	12.9%

Fair value of fund assets AASB 119 – paragraph 120 A (k)

All Fund assets are invested by STC at arm's length through independent fund managers.

Expected rate of return on assets AASB 119 – paragraph 120 A (l)

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

Actual return on Fund Assets AASB 119 – paragraph 120A (m)

	SASS Financial Year to 30 June 2012	SASS Financial Year to 30 June 2012	SASS Financial Year to 30 June 2012
	\$A	\$A	\$A
Actuarial return on Fund assets	847	227	0

Valuation method and principal actuarial assumptions at balance sheet date AASB 119 – paragraph 120A (n)

(a) Valuation method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

(b) Economic assumptions

	30 June 2012
Salary rate increase	2.5%
Rate of CPI increase	2.5%
Expected rate of return on assets	8.6%
Discount rate	3.06%

(c) Demographic assumptions

The demographic assumptions at 30 June 2012 are those that were used in the 2009 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website.

Notes to the Financial Statements (Continued)

Historical Information AASB 119 – paragraph 120A (p)

	SASS Financial Year to 30 June 2012 \$A	SASS Financial Year to 30 June 2012 \$A	SASS Financial Year to 30 June 2012 \$A
Present value of defined benefit obligation	626,734	94,282	0
Fair value of Fund assets	(623,771)	(93,788)	0
(Surplus) / Deficit in Fund	2,963	494	0
Experience adjustments – Fund liabilities	28,139	9,062	0
Experience adjustments – Fund assets	28,174	7,650	0

	SASS Financial Year to 30 June 2011 \$A	SASS Financial Year to 30 June 2011 \$A	SASS Financial Year to 30 June 2011 \$A
Present value of defined benefit obligation	560,140	82,035	0
Fair value of Fund assets	(590,838)	(93,907)	0
(Surplus) / Deficit in Fund	(30,698)	(11,872)	0
Experience adjustments – Fund liabilities	17,136	(99)	0
Experience adjustments – Fund assets	(15,450)	(128)	0

	SASS Financial Year to 30 June 2010 \$A	SASS Financial Year to 30 June 2010 \$A	SASS Financial Year to 30 June 2010 \$A
Present value of defined benefit obligation	506,587	75,784	0
Fair value of Fund assets	(518,925)	(85,566)	0
(Surplus) / Deficit in Fund	(12,338)	(7,781)	0
Experience adjustments – Fund liabilities	195,544	512	0
Experience adjustments – Fund assets	(190,633)	(4,676)	0

Information for the year to 30 June 2009 is not available as the staff in question were transferred to HRNSW from another entity on 1 July 2009.

Expected contributions AASB 119 – paragraph 120A (q)

	SASS Financial Year to 30 June 2012 \$A	SASS Financial Year to 30 June 2012 \$A	SASS Financial Year to 30 June 2012 \$A
Expected employer contributions to be paid in the next reporting period	21,746	3,905	0

Notes to the Financial Statements (Continued)

Funding Arrangements for Employer Contributions

(a) Surplus/deficit

The following is a summary of the 30 June financial position of the Fund calculated in accordance with AAS 25 "Financial Reporting for Superannuation Plans".

	SASS Financial Year to 30 June 2012	SASS Financial Year to 30 June 2012	SASS Financial Year to 30 June 2012
	\$A	\$A	\$A
Accrued benefits	551,980	77,179	0
Net market value of Fund assets	(623,771)	(93,788)	0
Net (surplus) / deficit	(71,791)	(16,609)	0

(b) Contribution recommendations

Recommended contribution rates for the entity are:

SASS	SASS	SASS
1.90	2.50	0

Funding method

Contribution rates are set after discussions between the employer, STC and NSW Treasury

(c) Economic assumptions

The economic assumptions adopted for the 2009 actuarial review of the Fund are:

	30 June 2012
Expected rate of return on Fund assets backing current pension liabilities	8.30%
Expected rate of return on Fund assets backing current pension liabilities	7.30%
Expected salary increase rate	4.00%
Expected rate of CPI increase	2.50%

Nature of Asset / Liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of Fund assets and the defined benefit obligation.

17. CONTINGENT ASSETS AND LIABILITIES

There are no known contingent assets other than the recovery of legal expenses associated with the High Court appeal in the Betfair and Sportsbet matters.

Notes to the Financial Statements (Continued)

18. COMMITMENTS

HRNSW leases various motor vehicles under non-cancellable operating leases expiring within two years. The leases vary in terms. In addition it leases certain other office equipment.

	2012 \$	2011 \$
Commitments for minimum lease payments in relation to Non-cancellable operating leases are payable as follows:		
Due within one year	116,380	59,200
Later than one year but not later than two years	39,777	21,330
	156,157	80,530

19. FINANCIAL RISK MANAGEMENT

Overview

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

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

The Members have overall responsibility for the establishment and oversight of the risk management framework.

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

20 NOTE TO THE STATEMENT OF CASH FLOWS

	2012 \$	2011 \$
Reconciliation of Net Cash from Operating Activities to		
Surplus / (Deficit) for the Year		
Surplus (Deficit) for the year	15,468,163	339,407
Depreciation and Amortisation	252,089	181,596
Operating Profit before changes in working capital provisions	15,720,252	521,003
Changes in Assets and Liabilities		
Change in Trade and Other Receivables	843,814	(4,057,205)
Change in Prepayments and Other Assets	20,913,676	(10,146,201)
Change in Trade and Other Payables	3,098,984	3,077,460
Change in Employment Benefits	(12,386)	101,749
Change in Other Liabilities	(22,048,396)	10,193,164
Net Cash Provided by / (Used in) Operating Activities	18,515,944	(310,030)

Notes to the Financial Statements (Continued)

21. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There are no matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect:

- i) the operation of the entity;
- ii) the results of these operations;
- iii) the state of affairs of the entity, in future years.

END OF AUDITED FINANCIAL STATEMENTS



Harness Racing Industry Fund

Financial Statements for the year ended 30 June 2012

Contents

Members' Declaration	85
Independent Auditors' Report	86
Statement of Comprehensive Income	88
Statement of Financial Position	89
Statement of Cash Flows	90
Statement of Changes in Equity	90
Notes to the Financial Statements	91



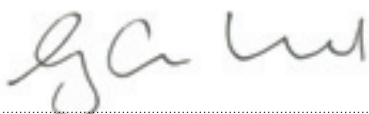
Members Declaration

The Members of Harness Racing New South Wales (HRNSW) present their declaration for the Harness Racing Industry Fund for the financial year ended 30 June 2012.

In the opinion of the Members of the entity: –

- (a) the accompanying financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the entity's financial position as at 30 June 2012 and its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due, and
- (c) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2 (a).

Signed in accordance with a resolution of the Members at Bankstown, dated 29 August 2012:



.....
Graeme Campbell - Chairman



.....
Chris Edwards - Member

Independent Auditors' Report To The Members Of Harness Racing Industry Fund

Report on the financial report

We have audited the accompanying financial report of Harness Racing Industry Fund (the 'entity') which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the members' declaration.

Members' responsibility for the financial report

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

Auditors' responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of APES 110: Code of Ethics for Professional Accountants. We confirm that the independence declaration provided to the Members of Harness Racing New South Wales would be in the same terms if provided to the Members as at the date of this auditor's report.

Auditors' opinion on the financial report

In our opinion:

- a the financial report of Harness Racing Industry Funds:
 - i gives a true and fair view of the entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
 - ii complies with Australian Accounting Standards (including the Australian Accounting Interpretations).
- b the financial report of the entity also complies with International Financial Reporting Standards as disclosed in note 2(a)



K S Black & Co <i>Chartered Accountants</i>		Faizal Ajmat <i>Partner</i>
---	--	---------------------------------------

Sydney

Dated: 29 August 2012



Liability limited by a
scheme approved
under Professional
Standards Legislation

Phone 02 8839 3000 Fax 02 8839 3055
www.ksblack.com.au



**Chartered
Accountants**

Statement of Comprehensive Income

for the financial year ended 30 June 2012

	Note	2012 \$	2011 \$
REVENUE from continuing operations			
HRNSW Distribution	3 (a)	2,344,452	2,303,563
Foal and Sire Registration Fee		645,297	366,126
Interest Earned		50,126	28,740
Reimbursement from Clubs - Photo Finish Expense		132,123	136,442
Fee Revenue	3 (b)	78,598	100,765
Sponsorship Revenue		273,250	102,500
Other Income	3 (c)	236,573	110,713
Total Revenue		3,760,419	3,148,849
Expenses from Continuing Operations			
Prizemoney Subsidies	4 (a)	961,182	1,050,889
Breeders' Bonus Incentive Certificates		604,000	528,615
Grants and Other Subsidies	4 (b)	627,622	628,083
Harness Racing Australia and RISE Expenses		347,331	339,910
Photo Finish Costs		129,260	123,184
Sponsorship Distribution		150,741	-
Carnival of Cups	4 (c)	462,359	455,695
Management Fee and Other Expenses	4 (d)	183,086	168,104
Total Expenses		3,465,579	3,294,479
Surplus / (Deficit) for the Year		294,839	(145,630)
Comprehensive Income			
Other Comprehensive income		-	-
Other Comprehensive Income for the Year		-	-
Total Comprehensive Income / (Deficit) for the Year		294,839	(145,630)

The accompanying notes form part of these financial statements

Statement of Financial Position

As at 30 June 2012

	Note	2012 \$	2011 \$
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	5	35,417	1,101,797
Deposits	6	916,748	-
Other Receivables	7	2,194,781	1,346,853
Other Current Assets	8	48,297	75,778
Total Current Assets		3,195,244	2,524,428
TOTAL ASSETS		3,195,244	2,524,428
LIABILITIES			
CURRENT LIABILITIES			
Payables	9	1,142,201	1,048,588
Income Received in Advance	10	280,456	237,721
Provision for Unredeemed Breeders Bonus Incentive Certificates	11	479,000	411,113
Total Current Liabilities		1,901,657	1,697,422
NON-CURRENT LIABILITIES			
Income Received in Advance	10	1,054,954	883,213
Total Non-Current Liabilities		1,054,954	883,213
TOTAL LIABILITIES		2,956,611	2,580,635
SURPLUS / (DEFICIENCY IN) NET ASSETS		238,633	(56,207)
EQUITY			
Accumulated Surplus / (Deficit)		238,633	(56,207)
Total Equity		238,633	(56,207)

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the financial year ended 30 June 2012

	Note	2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from HRNSW, Participants and Others		3,148,602	3,657,159
Interest from Investments and Bank Accounts		50,126	28,740
Payments to Suppliers and Participants		(3,348,359)	(2,721,904)
Net Cash (Used in) / Provided by Operating Activities	12	(149,631)	963,995
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from / (Payments for) Investments		(916,748)	-
Net Cash Used in Investing activities		(916,748)	-
Net (Decrease) / Increase in Cash and Cash Equivalents Held		(1,066,380)	963,995
Cash and Cash Equivalents at the Beginning of the Year		1,101,797	137,802
Cash and Cash Equivalents at the End of the Year	5	35,417	1,101,797

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Total Equity at the beginning of the financial year		(56,206)	89,424
Total Comprehensive Income / (Deficit)		294,839	(145,630)
Total Equity at the end of the financial year		238,633	(56,206)

The accompanying notes form part of these financial statements

Notes to the Financial Statements

for the financial year ended 30 June 2012

1. STATEMENT OF ACCOUNTING POLICIES

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

a) Reporting Identity

Harness Racing Industry Funds (HRIF) derives income from arrangements put in place by Harness Racing New South Wales (HRNSW) and harness racing clubs for the management and distribution of funds available to the harness racing industry. The relevant Agreements are the NSW Harness Racing TAB Clubs Arrangements dated 26 February 1998 and as amended dated 27 May 1999 and 28 July 2000, and the *Intracode Agreement* dated July 2004.

The arrangements require separate Funds to be maintained under the management of HRNSW in consultation with the NSW Harness Racing Clubs Committee. Consequently these Funds do not form part of the HRNSW accounts and therefore are not included in the HRNSW financial statements.

b) Revision of Accounting Estimates

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

c) Cash and Cash Equivalents

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

d) Breeders' Bonus Incentive Certificates

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

e) Sires' Stakes and Breeders Challenge Registration

HRIF holds funds received from foal and sire

registration fees of a particular year. Funds are retained to make available monies to fund the Breeders' Challenge Series when those foals reach series' competition age. The fees received are treated as Income received in advance (Note 7) and transferred to income in the years of competition.

f) Income Tax

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

g) Revenue Recognition

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

HRNSW Distributions

Distributions from Harness Racing New South Wales HRNSW are recognised as they accrue to the benefit of the Fund based on distribution advices received from HRNSW.

Interest Earned / Financial Income

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.

Other Income

Revenue earned from all other activities is recognised when the product or service in respect of which the fees have been charged is receivable.

Foal and Sire Registration Fees

Revenue earned from Foal and Sire Registration fees is recognised when the series or event in respect of which the fees have been charged has been conducted.

h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised

Notes to the Financial Statements (Continued)

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

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

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

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

There are no new standards or interpretations which have a material effect on the financial statements.

j) **Financial Instruments**

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Cash and cash equivalents comprise cash balances and call deposits.

k) **Finance Income and Expenses**

There are no finance expenses.

Finance income consists of interest from banks and other financial institutions. Interest is recognised as it accrues.

l) **Impairment**

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered impaired if objective evidence

indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

2. BASIS OF PREPARATION

a) **Statement of Compliance**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASB's) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Harness Racing Act 2009 (as amended). The financial report of the Fund also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

b) **Basis of Measurement**

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

c) **Functional and Presentation Currency**

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

d) **Statement Use of Estimates and Judgements**

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

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

Notes to the Financial Statements (Continued)

3 OPERATING INCOME	2012 \$	2011 \$
(a) HRNSW Distribution		
Funds totalling 6% (FY 2011: 6%) of the TAB Distribution were provided by HRNSW	1,998,423	1,974,483
Carnival of Cups Funding - 1% (2011: 1%)	346,028	329,080
Total	2,344,452	2,303,563
(b) Fee Revenue		
Fine Income from HRNSW	78,598	100,765
Total	78,598	100,765
(c) Other income		
Reimbursement of Expenses by HRNSW	118,659	-
Awards Night Income	68,663	64,227
Interdominion Marketing Refund from HRA	35,633	38,873
All Other	13,618	7,613
Total	236,573	110,713
4 OPERATING EXPENSES	2012 \$	2011 \$
(a) Prize Money Subsidies		
Trotters Foundation	42,000	8,000
Nursery Stakes	9,000	6,000
Breeders Challenge	840,544	932,335
Sprint Series	69,638	104,554
Total	961,182	1,050,889
(b) Grants & Other Subsidies		
Marketing and Media	68,459	30,483
NSW Mini Trotting Association	24,063	12,941
Training Centre Funding	83,329	116,176
Sires Stakes Rugs & Trophies	23,073	1,845
Sires Stakes - Other Expenses	36,247	-
NSW Rising Stars Series	10,952	38,175
Racing Support	76,561	141,582
Sky Media Enhancement	675	9,000
Interdominion Marketing Expenses	106,519	115,366
Industry Research	3,057	33,826
Industry Associations	28,311	8,542
Sponsorship Expenses	15,951	16,296
Awards Night	96,550	85,607
Trots TV	37,865	3,750
Integrity Related Expenditure	15,167	7,250
Miscellaneous	842	7,244
Total	627,622	628,083

Notes to the Financial Statements (Continued)

(c) Carnival of Cups		
Prize Money and related Expenditure	462,359	455,694
Total	462,359	455,694
(d) Management Fee and Other Expenses		
Managemnt Fees Paid to HRNSW	170,000	155,000
Bank and Audit Fees	13,086	13,104
Total	183,086	168,104

A management fee is paid to HRNSW for the provision of services. Services provided include the administration of the Breeders Challenge Series and the State Bred Bonus Scheme. Management Fees are re-charged to Industry Funds on a specific identification basis by HRNSW. Other expenses incurred were bank charges and audit fees \$13,000 (2011: \$13,000).

	2012 \$	2011 \$
5 Cash		
Cash at Bank - CBA	34,356	1,100,784
Cash at Bank - ING	1,061	1,013
Total	35,417	1,101,797
6 Investments		
Deposits with Bank	916,748	-
Total	916,748	-
7 Receivables		
Due from Related Party - HRNSW	2,063,186	1,222,245
Due from Clubs	13,257	50,617
Due from Other	118,339	73,991
Total	2,194,781	1,346,853
8 Other Current assets		
Prepayments	22,727	44,679
Other	25,570	31,099
Total	48,297	75,778
9 Payables		
Payable to Clubs	102,409	699,822
Payable to Related Party - HRNSW	248,145	167,712
Prize Money	500,000	-
Payable to Other Creditors	291,647	181,054
Total	1,142,201	1,048,588
10 Income Received In Advance		
Current Liabilities	280,456	237,720
Non Current Liabilities	1,054,954	883,213
Balance at the end of the Financial Year	1,335,410	1,120,933

Notes to the Financial Statements (Continued)

11. PROVISION FOR UNREDEEMED BREEDERS' BONUS INCENTIVE CERTIFICATES

The NSW Breeders Challenge Owners Bonus Certificates worth \$2,500 each have been issued since 1 July, 2010. Prior to this, State Bred Bonus certificates were issued, worth \$2,000 if won at TAB club meetings or \$500 if won at Non-TAB club meetings. All certificates can be redeemed for their full face value up to two years after the date of issue. The certificates can be used to subsidise the service fee of a stallion nominated for the NSW Breeding Schemes or alternatively, can be used to purchase a Breeders Challenge eligible yearling from any Australian Sale. Each certificate issued from 1 July, 2010, is recognised as a \$2,500 liability at the date of issue

12 Notes to the Statement of Cash Flows	2012 \$	2011 \$
Surplus / (Deficit) for the year	294,839	(145,630)
Surplus / (Deficit) before changes in working capital provisions	294,839	(145,630)
Change in Trade and Other Receivables	(847,928)	204,580
Change in Other Assets	27,481	(22,697)
Change in Trade and Other Payables/Other Liabilities	93,613	891,640
Change in Unredeemed Bonus Incentive Certificates	-	36,102
Change in Income in Advance	282,364	-
Net Cash used in Operating Activities	(149,631)	963,995

13. FINANCIAL RISK MANAGEMENT

Overview

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

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

The Members have overall responsibility for the establishment and oversight of the risk management framework.

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

END OF AUDITED FINANCIAL STATEMENTS

Harness Racing Racecourse Development Fund

Financial Statements for the year ended 30 June 2012

Contents

Members' Declaration	97
Independent Auditors' Report	98
Statement of Comprehensive Income	100
Statement of Financial Position	101
Statement of Cash Flows	102
Statement of Changes in Equity	102
Notes to the Financial Statements	103



Members Declaration

The Members of Harness Racing New South Wales (HRNSW) present their declaration for the Harness Racing Racecourse Development Fund for the financial year ended 30 June 2012.

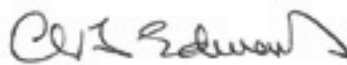
In the opinion of the Members of the entity: –

- (a) the accompanying financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the entity's financial position as at 30 June 2012 and its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due, and
- (c) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2 (a).

Signed in accordance with a resolution of the Members at Bankstown, dated 29 August 2012:



.....
Graeme Campbell - Chairman



.....
Chris Edwards - Member

Independent Auditors' Report

To The Members Of Harness Racing Racecourse Development Fund

Report on the financial report

We have audited the accompanying financial report of Harness Racing Racecourse Development Fund (the 'entity') which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the members' declaration.

Members' responsibility for the financial report

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

Auditors' responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of APES 110: Code of Ethics for Professional Accountants. We confirm that the independence declaration provided to the Members of Harness Racing New South Wales on 29 August 2012, would be in the same terms if provided to the Members as at the date of this Auditor's report.

Auditors' opinion on the financial report

In our opinion:

- a the financial report of Harness Racing Racecourse Development Fund:
 - i gives a true and fair view of the entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
 - ii complies with Australian Accounting Standards (including the Australian Accounting Interpretations).
- b the financial report of the entity also complies with International Financial Reporting Standards as disclosed in note 2(a)



K S Black & Co <i>Chartered Accountants</i>		Faizal Ajmat <i>Partner</i>
---	--	---------------------------------------

Sydney

Dated: 29 August 2012



Liability limited by a
scheme approved
under Professional
Standards Legislation

Phone 02 8839 3000 Fax 02 8839 3055
www.ksblack.com.au



**Chartered
Accountants**

Statement of Comprehensive Income

for the financial year ended 30 June 2012

	Note	2012 \$	2011 \$
REVENUE from continuing operations			
HRNSW Distribution	3 (a)	666,141	658,159
El Cost Recovery	3 (b)	-	70,000
Interest earned		1,399,128	20,801
Interest on Loan		198,181	-
Other Income	3 (c)	130,000	350,000
Repayment of Sky Video expenses	3 (d)	3,135,425	-
Repayment of IFILs	3 (e)	25,499,783	-
Total Revenue		31,028,658	1,098,960
Expenses from Continuing Operations			
Administration Expenses		5,094	5,577
Grants Made	4 (a)	2,081,319	55,976
Track Expenses	4 (b)	100,734	109,825
Country Election Promise Grants	4 (c)	446,319	-
Legal Expenses		59,679	100,580
Video Production Subsidy	4 (d)	541,907	1,130,165
Refund to State Government	4 (e)	(69,303)	190,175
Integrity Expenditure - Subsidy to HRNSW	4 (f)	412,490	-
Other Expenses		-	17,488
Total Expenses		3,578,239	1,609,786
Surplus / (Deficit) for the Year		27,450,419	(510,826)
Comprehensive Income			
Other Comprehensive income		-	-
Other Comprehensive Income for the Year		-	-
Total Comprehensive Income / (Deficit) for the Year		27,450,419	(510,826)

The accompanying notes form part of these financial statements

Statement of Financial Position

As of 30 June 2012

	Note	2012 \$	2011 \$
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	5	95,865	902,849
Deposits	6	29,552,709	267,852
Loans Receivables	7	5,000	705,000
Other Receivables	8	991,953	339,808
Other Current Assets		620	-
Total Current Assets		30,646,148	2,215,509
NON-CURRENT ASSETS			
Loans Receivable	7	232,765	368,024
Total Non Current Receivables		232,765	368,024
TOTAL ASSETS		30,878,913	2,583,533
LIABILITIES			
CURRENT LIABILITIES			
Payables	9	1,202,681	357,721
Total Current Liabilities		1,202,681	357,721
TOTAL LIABILITIES		1,202,681	357,721
NET ASSETS		29,676,231	2,225,812
EQUITY			
Accumulated Surplus		29,676,231	2,225,812
Total Equity		29,676,231	2,225,812

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the financial year ended 30 June 2012

Note	2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from HRNSW, Participants and Others	31,656,443	2,397,332
Interest from investments and bank accounts	1,597,309	20,801
Payments to suppliers and Participants	(5,611,137)	(2,648,219)
Net Cash Provided by / (Used in) Operating Activities	27,642,615	(230,086)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans Repaid	835,259	1,003,708
Net Cash provided by financing activities	835,259	1,003,708
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from / (Payments for) Investments	(29,284,857)	(7,852)
Proceeds from transfer of Property	-	12,835
Net Cash (Used in) / Provided by Investing activities	(29,284,857)	4,983
Net (Decrease) / Increase in Cash and Cash Equivalents Held	(806,984)	778,605
Cash and Cash Equivalents at the Beginning of the Year	902,849	124,244
Cash and Cash Equivalents at the End of the Year	95,865	902,849

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 30 June 2012

Note	2012 \$	2011 \$
Total Equity at the beginning of the financial year	2,225,812	2,736,638
Total comprehensive Income / (Deficit)	27,450,419	(510,826)
Total Equity at the end of the financial year	29,676,231	2,225,812

The accompanying notes form part of these financial statements

Notes to the Financial Statements

for the financial year ended 30 June 2012

1. STATEMENT OF ACCOUNTING POLICIES

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

a) Reporting Identity

On 1 July 1998 the NSW Government wound up the predecessor of this Fund, the Racecourse Development Committee (RDC) and transferred the assets, agreements and rights of the Committee to the relevant controlling body of the three codes within the racing industry. The Harness Racing Racecourse Development Fund (RDF) was established to take over responsibility for determining and managing the harness racing industry capital development.

Arrangements were put into place by Harness Racing New South Wales (the previous HRNSW) and harness racing clubs for the management and funding of the RDF. The relevant agreements are the NSW Harness Racing TAB Clubs Arrangements dated 26 February 1998 and as amended dated 27 May 1999 and 28 July 2000, and the Intracode Agreement dated July 2004.

The arrangements require separate Funds to be maintained under the management of HRNSW in consultation with the NSW Harness Racing Clubs Committee. Consequently, these Funds do not form part of HRNSW and therefore are not included in the HRNSW financial statements.

b) Revision of Accounting Estimates

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

c) Cash and Cash Equivalents

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

d) Grants

The RDF provided financial assistance by means of 'Interest Free Interminable Loans'. These advances are, in effect, a conditional grant. The loans are interest free and interminable and will not be subject to repayment unless:

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

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

e) Income Tax

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

f) Revenue Recognition

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

HRNSW Distributions

Distributions from Harness Racing New South Wales (HRNSW) are recognised as they accrue to the benefit of the Fund based on distribution advices received from HRNSW.

Interest Earned / Financial Income

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.

Other Income

Revenue earned from all other activities is recognised when the product or service in respect of which the fees have been charged is receivable.

Notes to the Financial Statements (Continued)

g) **Goods and Services Tax (GST)**

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

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

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

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

There are no new Standards or Interpretations that have any material effect.

i) **Financial Instruments**

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Cash and cash equivalents comprise cash balances and call deposits.

Deposits

Deposits consist of held-to-maturity investments placed with various banks.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

j) **Impairment**

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

2. **BASIS OF PREPARATION**

a) **Statement of Compliance**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASB's) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Harness Racing Act 2009* (as amended). The financial report of the Fund also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of HRNSW on 29 August 2012.

b) **Basis of Measurement**

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

Notes to the Financial Statements (Continued)

c) Functional and Presentation Currency

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

d) Use of Estimates and Judgements

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

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



Notes to the Financial Statements (Continued)

3 OPERATING INCOME	2012 \$	2011 \$
(a) HRNSW Distribution		
Funds totalling 2% (FY 2011: 2%) of the TAB Distribution were provided by HRNSW	666,141	658,159
	666,141	658,159
(b) EI Cost Recovery		
Repayment of funds advanced to HRNSW during the EI period	-	70,000
	-	70,000
The payment in 2011 represented the final repayment by HRNSW		
(c) Other income		
Prize Money Refunds from Clubs for races not conducted	-	50,000
Grant from NSW Government for Tamworth project	-	300,000
Grant From NSW Government - Country Racing Election promise	130,000	-
	130,000	350,000
As part of the Coalition campaign at the 2011 NSW State Election a promise of a \$5M grant was made to Country Racing should the Coalition win government. The \$5M was apportioned between the three racing codes and HRNSW was allocated \$650k for use at its country based venues. In addition to the government grant, HRNSW proposes to use \$1.2m of the monies received from the sale of Harold Park on track infrastructure and equipment.		
(d) Repayment of SKY Video Expenses		
Repayment of Expenses from Race Fields Receipts	3,135,425	-
	3,135,425	-
As previously agreed at a HRCC meeting Sky Video production fees were to be paid by the Fund until a decision had been determined in the Race Fields matter. Following the successful decision in favour of Harness Racing NSW the Fund was reimbursed the expenses it had incurred for the period to 30 March 2012 out of Race Fields receipts.		
(e) Repayment of IFIL		
Repayment of IFILs following the sale of Harold Park	25,499,783	-
	25,499,783	-

Notes to the Financial Statements (Continued)

4 OPERATING EXPENSES	2012 \$	2011 \$
(a) Grants made		
Grants - Clubs 14	277,078	26,966
Grants - HRNSW - Funding for purchase of 22 Meredith Street	1,269,602	-
Grants - HRNSW - Funding for purchase of Equipment	109,533	13,045
Grants - HRNSW - Funding for purchase of Goulburn Land	425,106	15,965
	2,081,320	55,976
(b) Specific Track Expenses		
Tamworth	69,303	109,825
Menangle	10,165	-
Bathurst	21,266	-
	100,734	109,825
(c) Country Election Promise Grants		
Purchase of equipment for tracks	446,319	-
	446,319	-
(d) Sky Video Production Subsidy		
Production costs for Sky Video	541,907	1,130,165
	541,907	1,130,165
<p>The expenses in 2012 represented the third year of the subsidy by the Fund. Expenses incurred in 2010, 2011 and 2012 were repaid from Race Fields Income in April 2012 - (Refer Note 5(a)). Expenses for 2012 only represent expenses for part of the year the remainder of these expenses were paid by HRNSW from 1 April.</p>		
(e) Potential Refund to State Government		
	(69,303)	190,175
	(69,303)	190,175
<p>Accrual of potential refund to NSW State Government if Tamworth showground is purchased rather than developing a harness track at the proposed new site.</p> <p>Amount represents grant of \$300,000 less expenses incurred to date.</p>		
(f) Integrity Expenditure - Grant to HRNSW		
Subsidy to HRNSW for corruption inquiry related expenses	412,490	-
	412,490	-
5 Cash		
Cash at Bank	95,865	902,849
	95,865	902,849
6 Deposits		
Investments - Bank Term Deposits	29,552,709	267,852
	29,552,709	267,852

Notes to the Financial Statements (Continued)

	2012 \$	2011 \$
7 Loans Receivable		
Balance at the Beginning of the year	1,073,024	2,076,733
Loans made during the year	50,360	1,291
Loans repaid during the Year	(885,619)	(1,005,000)
Balance at the End of the Year	237,765	1,073,024
Balance due within one year	5,000	705,000
Balance Due Longer than one year	232,765	368,024
	237,765	1,073,024
8 Other Receivables		
HRNSW	-	250,013
HRNSW - Loan Repayment	-	70,000
Accrued Interest on Bank Investments	594,209	-
Other	397,744	19,795
	991,953	339,808
9 Payables		
HRNSW - IT expenditure	123,259	14,349
HRNSW - Investigation Expenses	412,490	-
HRNSW - Goulburn Land Purchase	425,106	-
NSW Government	120,872	-
Clubs	17,450	-
Other	103,504	343,372
	1,202,681	357,721

10. CONTINGENT LIABILITIES & COMMITMENTS FOR EXPENDITURE

(a) Special Investigation Expenses.

During the year the Board of HRNSW determined that \$1.0m would be used from the Racecourse Development Fund to pay the special investigation expenses incurred by HRNSW.

For the period to 30 June 2012 expenditure of \$412,490 was incurred by HRNSW and a corresponding amount has been accrued in these financial statements. A contingent liability of up to \$587,510 therefore remains.

(b) Country Racing Election Promise Grants

As part of the Coalition campaign at the 2011 NSW State Election, a promise of a \$5M grant was made to country racing should the Coalition win government.

The \$5M was apportioned between the three racing codes and HRNSW was allocated \$650k for use at its country based venues. In addition to the grant HRNSW proposes to use some of the monies received from the sale of Harold Park on infrastructure and equipment.

Notes to the Financial Statements (Continued)

HRNSW wrote to all clubs, excluding the Principal Club, requesting details of their requirements for plant, equipment, track and facility upgrades. The Board of HRNSW has determined that it will supplement the NSW Government's grant of \$650,000 with further grants of approximately \$1.2m.

The total amount to be spent on equipment is therefore around \$1,900,000.

To date a number of trucks and tractors have been purchased and delivered to clubs.

All expenditure on equipment and track upgrades should be completed by 30 June 2013.

(c) Training Centre Funding.

In addition to expenditure on infrastructure outlined in Note 11 (b) above, HRNSW has determined that all tracks throughout NSW will receive operational funding grants to maintain existing facilities. The amount of each grant is based on the horse population near each racecourse.

In determining the amount to be allocated to each track, a list of horses at each venue was created from information that HRNSW had when the budgets were being drawn up.

The information was drawn from the official address where each horse is located. That was then linked to a local council and from there the closest track was determined. Also considered were the supply chain of horses from each track and the running of official trials.

The fund has been allocated \$680,000 to be spent on tracks every year and will run for three years. Clubs can draw down as required or may hold off and request a higher amount in a future year.

HRNSW recognises that there has been a deficiency in funding for training centres in the past and wants to ensure that adequate facilities are provided for these precincts in the future.

(d) Capital Expenditure.

In addition to (c) above, the Fund's 2013 budget has allocated \$12.0m for expenditure on certain tracks including \$2.0m for training centre infrastructure at Menangle.

The Board of HRNSW has drawn up a two year infrastructure plan which covers a number of tracks across the state.

11. CONTINGENT ASSETS

(a) Interest Free Interminable Loans

The RDF and its predecessor have made Interest Free Interminable Loans (IFIL). These loans are not repayable except in the exceptional circumstances which are described in Note 1(d). The loans subject to this condition as at 30 June 2011 amount to:

	2012 \$	2011 €
Interest Free Interminable Loans		
Carried Forward from Previous Years	49,923,756	49,923,756
IFILs made during the year	-	-
Repayments made during the year	(25,499,783)	-
Balance at the end of the Financial Year	24,423,973	49,923,756

Notes to the Financial Statements (Continued)

The balance carried forward included contingent assets of \$39,512,799 transferred from the TAB Racecourse Development Fund in respect to IFIL made 1 November 1971 to 30 June 1998.

In the period subsequent to Balance Date \$25,499,783 was repaid to the RDF by the New South Wales Harness Racing Club for IFILs made in prior years.

(b) Country Racing election promise Grants

As part of the Coalition campaign at the 2011 NSW State Election, a promise of a \$5M grant was made to Country Racing should the Coalition win government.

The \$5M has been proportioned between the three racing codes and HRNSW has been allocated \$650k for use at its Country based venues.

To date HRNSW Racecourse Development fund has only received \$190,000 and accordingly a further \$460,000 is due from the NSW government.

(c) Recovery of Legal Fees

Following the successful outcome of the Race Fields appeals to the High Court in favour of Harness Racing New South Wales, our legal advisors are in the process of recovering legal fees associated with both cases.

A total of \$464,287 was spent on the cases by the Fund from inception. The Fund expects to recover a substantial portion of these expenses during 2012/13.

12 Notes to the Statement of Cash Flows	2012 \$	2011 \$
Surplus / (Deficit) for the year	27,450,419	(510,826)
Operating Profit before changes in working capital provisions	27,450,419	(510,826)
Change in Trade and Other Receivables	(652,145)	1,101,233
Change in Other Assets	(620)	-
Change in Trade and Other Payables	844,960	(820,493)
Net Cash provided by / (used in) Operating Activities	27,642,615	(230,086)

13. FINANCIAL ASSISTANCE PAYMENTS & COMMITMENTS OUTSTANDING

Club	Project	Commitment B/ Forward from 30-Jun-11	Funding Withdrawn Not used	Funding Approved 2011/12	Payments Made 2011/12	Commitment Outstanding 2011/12
Bathurst	Water Truck Engine	-	-	16,024	16,024	-
Coolamon	Track Maintenance	-	-	9,418	9,418	-
Goulburn	Track Upgrade	-	-	157,824	157,824	-
Newcastle	Mobile Barrier Repairs	-	-	23,182	23,182	-
Penrith	Track Design Expenses	-	-	22,940	22,940	-

Notes to the Financial Statements (Continued)

Temora	Water Truck	-	-	29,545	29,545	-
Wagga	Mobile Barrier Repairs	-	-	3,145	3,145	-
Western Districts	New Mobile Barrier	-	-	15,000	15,000	-
		-	-	277,078	277,078	-
Assistance for projects \$50,000 and over						
Projects	Interest Free					
	Interminable Loans	-	-	-	-	-
	Loans	-	-	-	-	-
	Grants	-	-	157,824	157,824	-
		-	-	157,824	157,824	-
Assistance for projects under \$50,000						
Projects	Interest Free					
	Interminable Loans	-	-	-	-	-
	Loans	-	-	-	-	-
	Grants	-	-	119,254	119,254	-
		-	-	119,254	119,254	-
Total All assistance		-	-	277,078	277,078	-

14. FINANCIAL RISK MANAGEMENT

Overview

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

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

The Members have overall responsibility for the establishment and oversight of the risk management framework.

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

END OF AUDITED FINANCIAL STATEMENTS

