

2011 HARNNESS RACING NSW ANNUAL REPORT



Mission & Objectives

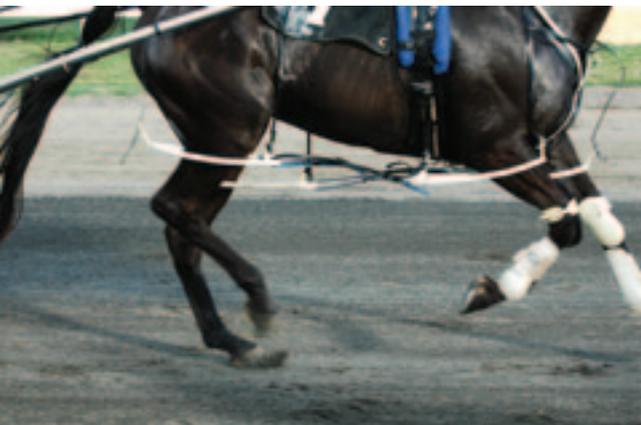


Mission

- 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



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“The sale of Harold Park and an Australasian record at Tabcorp Park Menangle provided a contrasting view of the past and the future of metropolitan harness racing in New South Wales.”



Chairman's Message

The significant and satisfying progress made in many areas of the business was overshadowed by the protracted litigation involving Race Fields Legislation.

It has been almost three years since Race Fields took effect although the High Court ruling, expected in November 2011, will provide a final determination.

Put simply, a successful outcome means increases to prizemoney, breeding incentives and marketing initiatives.

The sale of Harold Park and an Australasian record at Tabcorp Park Menangle provided a contrasting view of the past and the future of metropolitan harness racing in New South Wales.

Karlo Mick's crowd-pleasing victory in the final race staged at Harold Park over four laps of the famous Glebe Circuit was a fitting finale.

Smoken Up's sensational time of 1:48.5 in the Len Smith Mile proved conclusively that our horses are indeed World class.

Our two most important brands – the NSW Breeders Challenge and the Carnival of Cups – continued to deliver pleasing results.

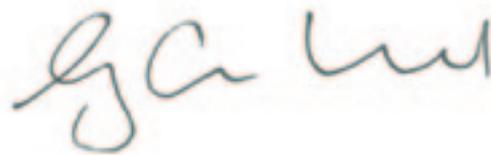
The Alabar NSW Breeders Challenge day was an outstanding success both on the racetrack and in terms of promotional aspects. I am confident that it will continue to grow in the coming years.

The Carnival of Cups was expanded across the state and included many noteworthy meetings such as the Coolamon all-trotters day. We are committed to the grass roots of the industry and regional areas.

I would like to thank the NSW Harness Racing Club, Sam Nati and Graham McNeice for their efforts in the production of "The Ribbon of Light" DVD. The success of this feature film, which details the history of harness racing at Harold Park, can be attributed to the hard work and dedication they provided in writing, narrating and producing the historical documentary.

On behalf of the Board I'd like to thank all of the Harness Racing NSW staff for their contribution and dedication.

And finally to my fellow Board Members Les Bentley, Chris Edwards, Rex Horne and Rob Nalder I extend my appreciation for your efforts in serving our industry.



GRAEME CAMPBELL
CHAIRMAN

Chief Executive's Report

The financial year commenced with the expectation that two of the most critical aspects for the future funding and sustainability of the harness racing industry would be resolved; the sale of Harold Park and the finalisation of the Race Fields litigation.

Harness Racing NSW, in conjunction with Racing NSW, claimed a comprehensive victory in the Federal Court in November 2010 although a subsequent appeal to the High Court by Betfair and Sportsbet left the Race Fields matter in abeyance until FY2011/12.

With the continuing real term decline in parimutuel wagering, and thus TAB distribution, this put further pressure on prizemoney.

As was the case in FY2009/10, Harness Racing NSW was determined and committed to ensuring stake money levels were maintained which required funds in excess of our income (excluding Race Fields revenue which was placed in trust).

Fortunately we were able to do so, but the High Court result, expected later this year, becomes pivotal to our future direction and strategy.

The sale of Harold Park was a poignant moment for all involved in the industry and the financial benefits have created great anticipation and optimism.

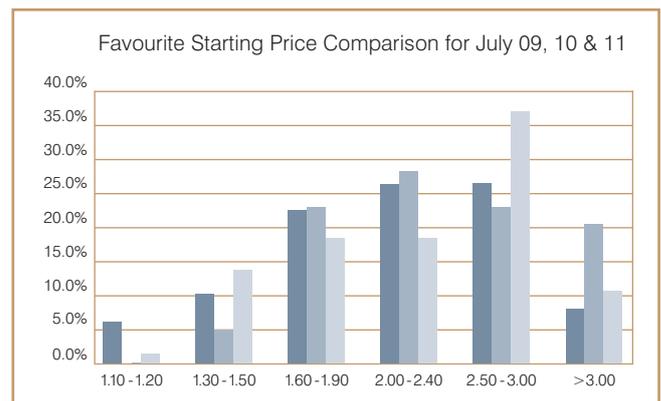
From a Harness Racing NSW perspective, more than \$25 million returns to the Racecourse Development Fund which will flow on to much needed infrastructure projects across the state.

In September the Harness Racing NSW Strategic Plan (2010-13) was released.

Outlining the Board's vision for the next three years, the

Strategic Plan is a blueprint for the industry and many goals have already been achieved.

The introduction of prizemoney tiers and a more sophisticated handicapping policy for graduation and penalty free meetings created better racing with significantly less odds-on favourites and a more equitable spread of purses.



The Carnival of Cups concept was expanded to all regional clubs and proved a resounding success with very strong attendances and great racing across the state.

This helped increase the number of NSW harness race meetings broadcast on Sky Racing and wagered through Tabcorp although the full expansion will not be realised until FY2011/12 where the total number of Non-TAB meetings conducted by Harness Racing NSW will drop from over 50 to 15.

A great portion of these will come from the Albury and Leeton harness racing clubs, which were elevated to TAB/Sky status, emphasising our previous commitment to reinvigorate the Riverina.

On the breeding front we continued to refine, improve

“The introduction of prizemoney tiers and a more sophisticated handicapping policy for graduation and penalty free meetings created better racing with significantly less odds-on favourites and a more equitable spread of purses.”

and expand the NSW Breeders Challenge.

The first ever Regional Finals were held at Wagga in July and the Breeders Challenge Owners Bonus Certificates increased in value from \$2,000 to \$2,500.

Foal numbers in NSW increased for the second consecutive year and the number of foals paid into the NSW Breeders Challenge also climbed.

The announcement of a Breeders Challenge Nominators Bonus for horses conceived in FY2010/11, in conjunction with the Stallion Incentive Scheme, saw a surge in the number and quality of stallions standing at NSW studs.

In terms of new income streams, Tabcorp's virtual racing product (Trackside) showed embryonic promise.

Although being operational for only the second half of the financial year and just partially rolled-out, the preliminary indications are that the forecast yearly income of \$700,000 is very achievable in the short term.

Additionally, through Tabsportsbet, Tabcorp significantly expanded Fixed Odds options on harness racing.

An election promise by the Coalition for country racing across all three codes netted Harness Racing NSW \$650,000 although the expenditure will not be undertaken until FY2011/12.

There were a number of IT and New Media initiatives launched.

Trots TV was an exceptional hit with harness racing fans and participants and includes higher quality full replays, interviews, trials and the possibility of much more to come in the future.

An on-line payment and statement facility was added to an expanded and far more sophisticated Harness Racing NSW website and a merchandise store was established.

Significantly, Harness Racing NSW undertook the initial phase of animal welfare strategies with the help of various bodies and organisations.

There is no doubt that FY2010/11 was another fiscally challenging twelve months with our future funding model left unresolved.

I'd like to thank Graeme Campbell, the Board, my management and all the Harness Racing NSW staff for their support during an uncertain period.



SAM NATI
CHIEF EXECUTIVE
OFFICER





*Smoken Up NZ winning the Miracle Mile
at Tabcorp Park Menangle (TPM)*

RACING HIGHLIGHTS

JULY 2010

HONDO GRATTAN STAKES (TPM)

Make Mine Cullen

PALEFACE ADIOS STAKES (TPM)

Buckeye Nation USA

CHARIOTS OF FIRE (TPM)

Villagem

BREEDERS CHALLENGE REGIONAL FINALS (WAGGA)

2YO F	Zenyatta
2YO C&G	Beetson
3YO F	Sassy Street
3YO C&G	Elsulite
4YO M	Hamilton Gypsy
4YO E&G	Runaway Red

MEDIA CUP (TPM)

Heza Buzzin

AUGUST 2010

PINK BONNET (TPM)

Beach Fantasy

TATLOW STAKES (TPM)

Im Blue Double Dee

CITY COUNCIL CUP (BANKSTOWN)

Brave Wiggly NZ

SEPTEMBER 2010

KEVIN ROBINSON CUP (TPM)

Lonestar Legend USA

OCTOBER 2010

BRIAN HANCOCK CUP (TPM)

Smoken Up NZ

NOVEMBER 2010

FRANCO AUSTRALIAN TROTTERS FINAL (TPM)

Im Dejazzman NZ

SKY SUPER SPRINT SERIES FINALS (NEWCASTLE)

C1	Maywyn Tonz
C2	Lucky Vista
C3-5	San Fran Lady NZ

STAR TREK FINAL (BATHURST)

Regal Eagle NZ

NEWCASTLE MILE

Rohan Home

PJ HALL MEMORIAL (PENRITH)

Dashing Christian NZ

CORDINA CHICKEN SPRINT (TPM)

Washakie NZ

MIRACLE MILE (TPM)

Smoken Up NZ

IRAKLIS CHAMPIONSHIP FINAL (TPM)

Jack Thats Gold NZ

MONKEY KING CHAMPIONSHIP FINAL (TPM)

Mega Alexander

CHOKIN CHAMPIONSHIP FINAL (TPM)

Artistic Spirit



BOHEMIA CRYSTAL FREE FOR ALL (TPM)

Lonestar Legend USA

TROTTERS MILE (TPM)

Sundons Gift NZ

DECEMBER 2010

TREUER MEMORIAL (BANKSTOWN)

Washakie NZ

NEWCASTLE CUP

Lady Lexus

SHIRLEY TURNBULL MEMORIAL (BATHURST)

Holy Camp Boy

CHRISTMAS GIFT FINAL (TPM)

Prince Benji

JANUARY 2011

LEETON BREEDERS PLATE

Western Rockstar

INTER CITY PACE (MAITLAND)

Goeslikell

SIMPSON MEMORIAL (TPM)

God Send NZ

RAITH MEMORIAL (TPM)

Rainbow Dasher

RANJI BILL STAKES (TPM)

Lady Lexus

FEBRUARY 2011

TEENY TEENY STAKES (TPM)

Cruiser Franco NZ

SAPLING STAKES (TPM)

Montana Falcon NZ

ROBIN DUNDEE (TPM)

Pacific Playgirl NZ

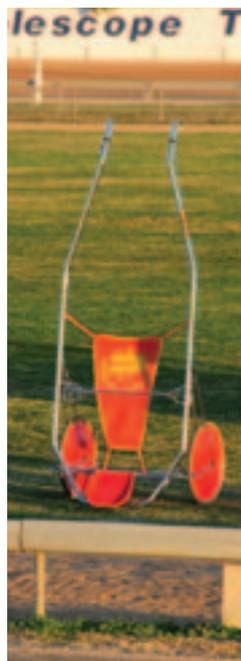
LINDEN HUNTLEY LITTLE MEMORIAL (BULLI)

2YO F Our Molly Finn NZ

2YO C&G Scandalman NZ

CORDINA FARMS PACING CUP (YOUNG)

Royal Surprise



MARCH 2011

PINK BONNET (TPM)

Marquess De Posh NZ

NSW OAKS (TPM)

Courageous Annie NZ

LADYSHIP MILE (TPM)

Broadways Best

BATHURST MAYOR'S CUP

Rohan Home

BATHURST GOLD BRACELET

Aussie Made Lombo

BATHURST GOLD TIARA

Shake It Mama



Arizona Blue winning the La Coocaracha at Coolamon

BATHURST GOLD CHALICE

Oscar Lane

BATHURST GOLD CROWN

Soho Valencia

BATHURST GOLD PENDANT

Im A Happy Girl

APRIL 2011

CAROUSEL FINAL (BANKSTOWN)

Tori Jack

CHIPPY'S CUP (PENRITH)

Rohan Home

RED OCHRE MARES CLASSIC (DUBBO)

Our Sixpence NZ

**FRANK & EDNA DAY MEMORIAL CUP
(GOULBURN)**

Washakie NZ

LA COOCARACHA (COOLAMON)

Arizona Blue

HONDO GRATTAN STAKES (TPM)

Motu Crusader NZ

RENSHAW CUP (PENRITH)

Rohan Home

PALEFACE ADIOS STAKES (TPM)

For A Reason

TATLOW STAKES (TPM)

Uncle Lile

3YO TROTTERS FLYING MILE (TPM)

Yankee Eyes

APG 2YO FILLIES FINAL (TPM)

Rosa Mach

NSW DERBY (TPM)

Excel Stride

CHARIOTS OF FIRE (TPM)

Lanercost NZ

LEN SMITH MILE (TPM)

Smoken Up NZ

MAY 2011

WAGGA CUP

Tear It All Away

SCHWEPES CUP (BANSTOWN)

Baltic Warrior NZ

NSW TROTTERS OAKS (TPM)

Our Dolly Would NZ

3YO TROTTERS FOUNDATION FINAL (TPM)

Moyabamba

2YO TROTTERS FLYING MILE (TPM)

Sheer Illusion

NEWCASTLE DERBY

Excel Stride

JOE ISLEY CUP (TPM)

Roman Stride



Lanercost NZ winning the Chariots of Fire at TPM

NSW TROTTERS DERBY (TPM)

The Bohemian NZ

TMT TROTTER'S CHAMPIONSHIP FINAL (TPM)

King of Strathfield NZ

JUNE 2011

2YO TROTTERS FOUNDATION FINAL (TPM)

Sheer Illusion

MENANGLE TROTTERS CUP

Makarewa Sun NZ

BREEDERS CHALLENGE FINALS (TPM)

- 2YO F Louvre
- 2YO C&G Theartofdelusion
- 3YO F Vertigal
- 3YO C&G Sushi Sushi

MENANGLE PACERS CUP

Karloo Mick



Sushi Sushi taking out the 3YO Colts & Geldings Alabar NSW Breeders Challenge Final at TPM

HAROLD PARK FAREWELL, 17 DECEMBER 2010

CAMPBELL ADVISORY STAKES

\$10,000 Class C2 – C4 Pace

Secretary of State

5YO Brown Gelding

Presidential Ball USA – Spring Echelon

Breeder: B. & D. Kelly

Owner: B. & D. Kelly

Trainer: B. Kelly

Driver: B. Harpley

Mile Rate: 2:02:9

GARRARDS HORSE & HOUND STAKES

\$10,000 Class C2 – C4 Pace

Baileys Magic NZ

4YO Brown Gelding

McCardle USA – Black Eyed Bailey NZ

Breeder: A. Grant

Owner: P. Montgomery

Trainer: I. Gurney

Driver: S. Graham

Mile Rate: 1:58:7

GALLAGHER BASSETT STAKES

\$20,000 Class C4+ Pace

Runaway Red

5YO Brown Horse

Red River Hanover USA – Shoutaloud

Breeder: Brooklyn Lodge Aberdeen P/L

Owner: R E D Harness Racing P/L

Trainer: A. Turnbull

Driver: J. O'Shea

Mile Rate: 2:01:1

JOE CORDINA FAREWELL TO THE PARK FREE FOR ALL

\$20,000 Class FFA Pace

Holy Camp Boy

7YO Bay Gelding

Stature USA – Demi Joy

Breeder: C. Anderson

Owner: C. Anderson

Trainer: M. Reese

Driver: J. Alchin

Mile Rate: 1:58:3

WATPAC CONSTRUCTION STAKES

\$20,000 Class C4+ Pace

Armagedon Flame

5YO Brown Gelding

Panorama USA – Geeyejane

Breeder: K. Sanderson

Owner: G. Powell

Trainer: G. Powell

Driver: M. Callaghan

Mile Rate: 2:01:4

FORM 700 STAKES

\$20,000 Class C4+ Pace

Super Sea

5YO Brown Gelding

Stature USA – Sapphire Sea

Breeder: D. & M. Hewitt

Owner: D. & M. Hewitt

Trainer: D. Hewitt

Driver: D. Hewitt

Mile Rate: 2:00:4

LEXUS OF PARRAMATTA STAKES

\$20,000 Class C4+ Pace

Silent Predator

5YO Brown Gelding

Safely Kept USA – Carly Navigator

Breeder: M. Barby & K. Britt

Owner: S. Hunter & L. O'Grady

Trainer: S. Hunter

Driver: J. Willick

Mile Rate: 2:01:0



**SEW EURODRIVE PREMIERSHIP
DRIVERS INVITATION STAKES
\$20,000 Class M1 – M2 Pace
Red Army NZ**

6YO Bay Gelding
Mach Three CA – Robyn Redbreast NZ
Breeder: J. McKenzie
Owner: Tex Services P/L
Trainer: P. Morris
Driver: C. Fitzpatrick
Mile Rate: 2:00:6

**SLINGSBY HOLDINGS TROTTERS HCP.
\$20,000 Class Disc. Handicap
Double Bundy NZ**

5YO Bay Gelding
Dr Ronerail USA – Kelly Bundy NZ
Breeder: D. Magill & T. Hansen
Owner: A. & C. Pizzuto
Trainer: K. Pizzuto
Driver: G. Bennett
Mile Rate: 2:09:2

**BLUE PYRENEES WINES FAREWELL HCP.
\$25,000 Class Disc. Handicap
Karlo Mick**

10YO Brown Gelding
Panorama USA – Miss Jogalong
Breeder: M. & D. Lew
Owner: B. & R. Lew
Trainer: B. Lew
Driver: G. Bennett
Mile Rate: 2:04:7

THE RIBBON OF LIGHT DVD

"The Ribbon of Light" is a comprehensive and alluring three hour documentary celebrating the 120 year history of Sydney's famous Harold Park Paceway.

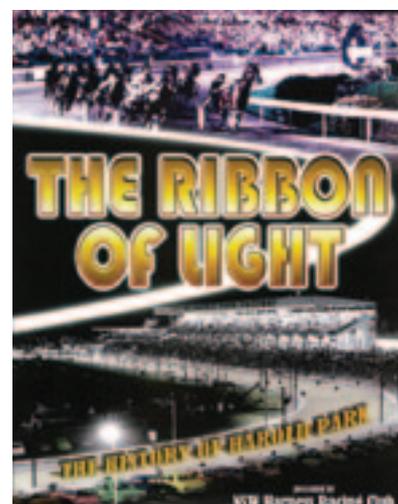
Including rare and never seen before footage with over 100 interviews, it traces the origins and fluctuating fortunes of trotting as a sport, hobby and multi-million dollar industry.

Experience the unforgettable races, the great horses, the master trainers and drivers, the influential breeders, the burning controversies, the leviathan owners, the colourful identities and the pioneering administrators.

Relive the highs and lows from the early days at Lillie Bridge in the 1890s through to the emotion charged farewell at "headquarters" in December 2010.

With feature segments on Walla Walla, the birth of night trotting in 1949, the 1960 Inter-Dominion Grand Final, Paleface Adios and Hondo Grattan, Vic Frost, Brian Hancock, Kevin Newman, Len Smith, Popular Alm, Christian Cullen and so many more.

Discover how Harold Park became a Friday night institution. The DVD has delighted harness racing fans and enlightened those with an appreciation of history in general.



Review of Operations - Finance

Harness Racing NSW produced a surplus of \$339,407 for the year to 30 June 2011. The result was achieved after including revenue of \$4,025,577 to be derived from Race Fields monies currently held in trust or, if the Race Fields decision is lost, from other sources to be determined by the board including reduced prizemoney in FY2011/12 and future years.

Without this revenue the entity would have incurred a loss of \$3,686,170.

Harness Racing NSW subsidised prizemoney payments during FY2010/11 by \$3,143,536 to enable clubs to maintain prizemoney levels similar to those paid during the FY2009/10 financial year, given that TAB distributions were down on those received during the FY2010/11.

This prizemoney subsidy will be repaid from Race Fields revenues once the matter has been determined by the High Court.

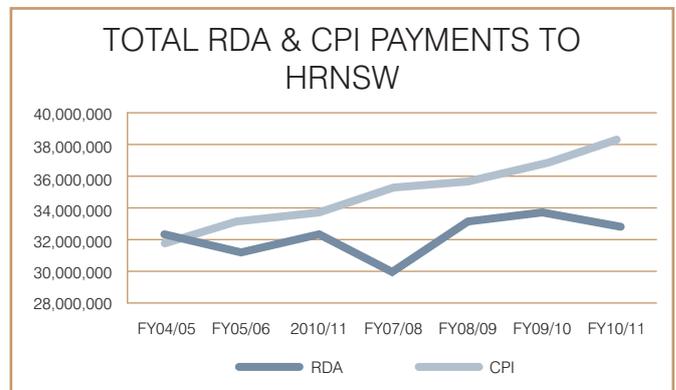
The final TAB Distribution for FY2010/11 of \$32,907,952 was down by \$746,958 or 2.22% on that received during the FY2009/10 financial year. The distribution was even lower than that received for the FY2008/09 financial year.

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

Based on the FY2010/11 distribution, TAB distributions have only risen by 1.87% since the FY2004/05 financial year, well below CPI levels for the corresponding period which have risen by 18.70%.

During this seven year period TAB distributions have been affected by the TVN dispute and the severe impact of Equine Influenza during FY2007/08. Although the last financial year was not materially affected by any major catastrophe, TAB Distribution growth was negative possibly due to the phasing out of Federal Government stimulus package in mid 2009, increased interest rates, the number of meetings abandoned or affected by wet weather and the growth of corporate bookmakers.



Over the past three years income in excess of \$22.0 million has been received by Harness Racing NSW as Race Fields revenue however no funds have been distributed to the industry in line with the Board's decision to quarantine Race Fields income until such time as litigation has been resolved.

The initial cases brought by both Betfair Pty Ltd and Sportsbet Pty Ltd were decided by Justice Nye Perram of the Federal Court on 16 June 2010. Appeals were heard by the full bench of the Federal Court commencing on 27 September 2010 with decisions in

favour of Harness Racing NSW and Racing New South Wales handed down on 17 November 2010.

The decisions have been appealed and both Sportsbet and Betfair were granted leave to appeal to the High Court of Australia. The appeals were heard from 30 August 2011 to 1 September 2011 and a decision is expected to be handed down in November this year.

The decision will have a significant impact on future income streams for the industry.

If the Race Fields decision goes in favour of Harness Racing NSW the Race Fields income will be allocated as follows:

- (i) Sky Racing Video Costs – \$1.2 million in the first year
- (ii) Prize money increases – 60% of residual
 - (a) 25% to NSWHRRC
 - (b) 75% to other clubs
- (iii) Breeding initiatives – 25% of residual
- (iv) Marketing initiatives – 15% of residual.

This allocation was determined by the Board and is included in the 2010 to 2013 Strategic Plan.

Although total Harness Racing NSW expenses increased from \$37.0 million to \$38.8 million most operational related expenses were curtailed throughout the year.

Although salaries and related expenses increased over the year, savings were achieved in postage, printing and stationary, travel, occupancy, IT and communications, depreciation, insurance and bad debts. Racing Integrity expenses increased during the period and included additional costs for swab testing and related reporting.

The Industry Fund showed a deficit for FY2010/11 of \$145,630 however this is in keeping with Harness Racing NSW's long-term budgets which reflect the take-up rate and accumulation of funds for the Breeders Challenge Series. The result was largely affected by the reduced TAB distributions which did not meet budget expectations by \$118,640 however expenses were in line with budget.

Industry Fund activities, which continue to be governed by fixed annual budgets, remained on course with expenditure maintained within acceptable boundaries.

The Race Course Development Fund incurred a deficit of \$510,826 as it subsidised the cost of the video production of races during the financial year. It is expected that this subsidy will be repaid from accumulated Race Fields revenues in future years.

A limited number of grants and loans totalling \$55,976 were made throughout the year.

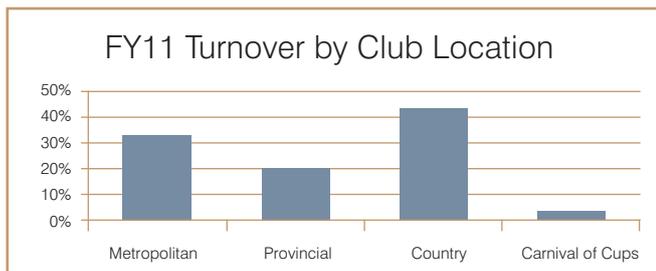
The Fund also paid legal expenses of \$100,580 relating to the Sportsbet and Betfair matters.

GHRRA FINANCIAL LIABILITIES

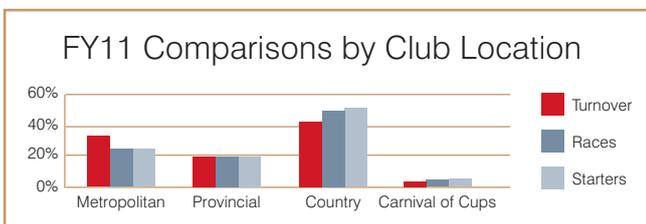
The total amount for GHRRA liabilities and staff transition costs as at 30 June 2011 was \$1.7 million which was met by Harness Racing NSW securing a \$2 million interest-bearing repayable loan from the NSW Government. During the year Harness Racing NSW repaid a further \$259,000 off this loan.

INDUSTRY FUNDING AND TURNOVER

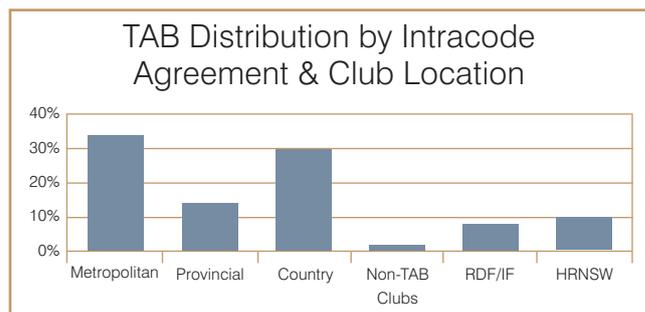
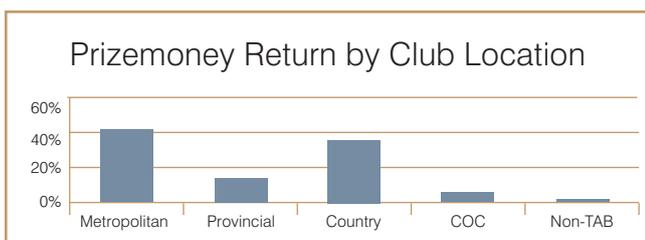
NSW Harness Racing turnover on NSW harness racing for the year was \$187 million down \$22.0 million from the \$209 million recorded in FY2009/10.



When interstate and international turnover is included, total turnover decreased from \$624 million to \$585 million (down 6.4%). With the introduction of fixed odds betting on selected harness races and meetings, total turnover increased slightly, thereby reducing the reduction in total turnover to 5.1%.



When comparing turnover by region, country racing decreased by 11.4% (down 10.4% when fixed odds are included) despite having conducted eleven extra meetings. Turnover in the metropolitan area decreased by 8.8% (5.8% down with fixed odds) and provincial racing by 10.7% (9.7% down with fixed odds) having run three and four races less than last year respectively.



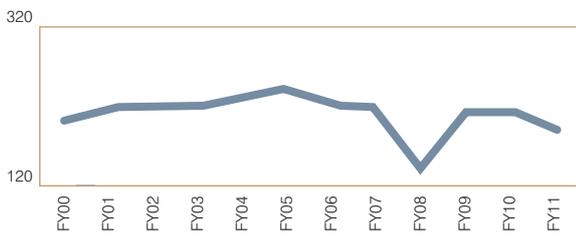
BERESFIELD AND GOULBURN

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.

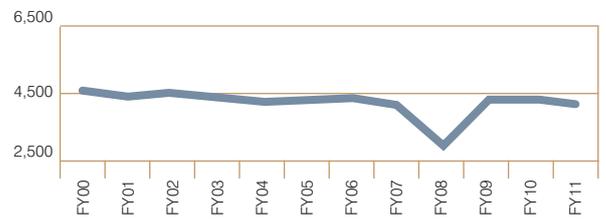
During the year Harness Racing NSW paid deposits on two parcels of land adjacent to the Goulburn Harness Racing Club Track. The purpose of the purchase is to provide facilities for the development of the industry in that region.

The purchase was settled in August 2011 following the receipt of funds from the sale of Harold Park.

Turnover on NSW Harness Product (\$M)



Total NSW Harness Races



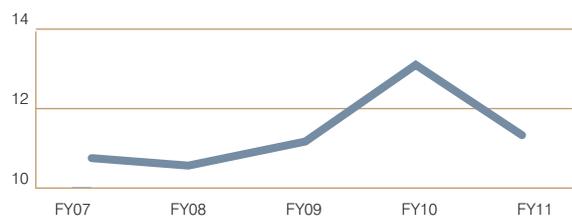
Total Prizemoney Paid (\$M)



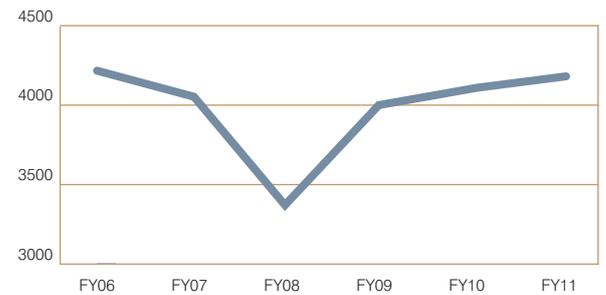
Prizemoney Paid per race



Percentage of races run with less than 8 starters



Individual Starters





CLUB AND ADMINISTRATIVE FUNDING

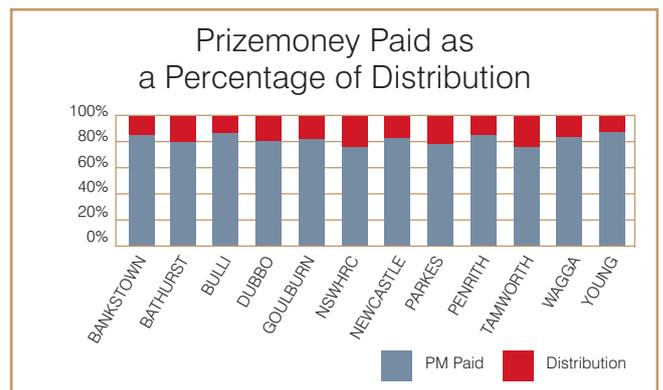
Harness Racing NSW is responsible for the disbursement of funds received under the *Totalizator Act 1997* to the industry including payments to clubs for prizemoney and administration, funding of general industry activities (Industry Fund) and capital works (Racecourse Development Fund), and funding 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 FY2010/11 amounted to \$32.9 million, a decrease of \$746,958 on funding received in FY2009/10.

In accordance with the *Harness Racing Act 2009* and the *Intracode Agreement 2004*, a series of provisions were made 'off-the-top' of the Distribution before determination of allocations to clubs.

A total of \$2.961 million was allocated from the TAB Distribution to the Industry Fund (\$2.3 million) and



Racecourse Development Fund (\$0.658 million) at the prescribed rates of 7% (including the 1% Carnival of Cups allocation) and 2% respectively. \$3.7 million was provided to Harness Racing NSW as endorsed by the Harness Racing Clubs Committee.

The balance of \$26.2 million remaining after the 'off-the-top' funding provisions was allocated to clubs to fund racing prizemoney and club operating costs.

No funding was distributed to the industry from the \$22.0 million received by Harness Racing NSW as Race Fields income over the past three years – a position that is expected to continue in FY2011/12 until such time as litigation, which is currently underway, has been determined.



INDUSTRY FUND

The Industry Fund receives an allocation from the TAB Distribution that is used by Harness Racing NSW to finance general activities such as the Breeders Challenge Series, State Bred Bonus Scheme and Breeders Challenge Owners Bonus Scheme, Carnival of Cups, Trotters Foundation Series, Rising Stars, Super Sprint Series, Mini Trots, Industry Associations and industry promotions/marketing activities.

In FY2010/11 \$2.3 million was paid into the Industry Fund from the TAB Distribution against expenditure for the year of \$3.3 million.

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

The majority of Industry Fund expenditure was dedicated to the Breeders Challenge Series as well as the State Bred Bonus Scheme 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 Sky Racing Super Sprint Series.

Financial support from the Industry Fund to the Mini-Trotting Association of \$13,000 continued based on the strategic plan developed by Harness Racing NSW and the Association.

Further work is being undertaken by the Association with Harness Racing NSW to refine the manner in which funding provided is distributed to ensure that mini-trotting membership continues to grow.

Training Centre tracks were also subsidised to the tune of \$116,000.



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 FY2010/11 \$658,159 was provided to the RDF from the TAB Distribution as annual funding.

Following the decision by Sky Racing in FY2008/09 to cease subsidisation 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.

In view of the ongoing litigation and the Board's decision not to release Race Fields funds received until the litigation has been resolved, it was agreed that funding of approximately \$1.2 million would be provided to clubs from the RDF to meet the funding shortfall in FY2010/11. The monies are to be repaid from Race Fields income at a future date.

During the year the RDF also advanced \$55,976 to various clubs by way of grants or loans. Given that the RDF will continue to fund video production costs until the Race Fields appeal is decided, only urgent capital expenditure requests have been reviewed by the Board of Harness Racing NSW.

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. During the year \$109,825 was spent on the project.

The Fund also paid for litigation expenses associated with the Betfair and Sportsbet matters. As with the Sky Racing video fees, a consensus was reached with the clubs for funding to be provided by the Fund.

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 transgressions 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 FY2010/11 until the Fund had reached an acceptable level. This income 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 however the operation of the Fund is governed by the *Harness Racing Act 2009*.

INSURANCE

All trainers and registered harness racing clubs are covered by relevant insurance policies. During the FY2010/11 financial year the policies were extended to cover a fourteen month period to align the insurance coverage with the racing season.

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 FY2010/11. This was because the cover and pricing obtained by our insurance brokers, OAMPS, was superior to that provided by Harness Racing Australia. However the situation is reviewed annually.

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

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.

This enhancement supplemented the two changes introduced in FY2010/11. The first involved changes to the fortnightly statements which were upgraded to provide opening balances. Previously the fortnightly statements only showed transactions occurring during the previous fortnight.

The second change involved storing each fortnightly statement on the Harness Racing NSW system which participants are able to access online through the internet.

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”.

Mr John Costigan continued in the role during the FY2010/11 year.



Review of Operations - Racing

NSW BREEDERS CHALLENGE SERIES

The Alabar Breeders Challenge series again attracted star juveniles to the 31 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 Menangle on June 26, 2011 was won by THEARTOFDELUSION, Bred by K L Cotterill, F Ibraimi, B A Carter and G A Jackson, Owned by K L Cotterill, G A Jackson, F Ibraimi, B A Carter and D J McDougall, Trained by Brett Cotterill and Driven by Glenn McElhinney.

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 Menangle on June 26, 2011 was won by LOUVRE, Bred and Owned by Sloys Company Pty Ltd, Trained by Susan Hunter and Driven by Josh Willick.

THREE YEAR OLD COLTS & GELDINGS

11 races in total and \$320,000 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 Menangle on June 26, 2011 was won by SUSHI SUSHI, Bred by Weona Standardbreds, Owned by P Sequenzia, A Cendron, Chupina Bloodstock and P D'Alessi, Trained by Freddy Taiba and Driven by Greg Sugars.

THREE YEAR OLD FILLIES

10 races in total and \$305,000 in total prizemoney paid.

Races	P/M per race	Total P/M
7 Heats	\$15,000	\$105,000
2 Semis	\$25,000	\$50,000
1 Final	\$150,000	\$150,000

The Final held at Menangle on June 26, 2011 was won by VERTIGAL, Bred by A B Molloy, A B Myers and B E Astill, Owned by A B Molloy and B E Astill, Trained and Driven by D J Thorn.



STALLION PERFORMANCE

Below are tables outlining the total number of wins for sires and broodmare sires during the Alabar Breeders Challenge Race Series in 2011.

Sire	Wins*
ART MAJOR USA	13
ACES N SEVENS USA	6
MACH THREE CA	6
WESTERN TERROR USA	4
ARMBRO OPERATIVE USA	2
BROWNING BLUE CHIP USA	2
DAWN OFA NEW DAY USA	2
PRESIDENTIAL BALL USA	2
REAL DESIRE USA	2

Broodmare Sire	Wins*
FAKE LEFT USA	6
HOLMES HANOVER USA	4
STATURE USA	4
NO NUKES (US)	3
PANORAMA USA	3
PERFECT ART USA	3
TOMPKINS HANOVER USA	3
ARMBRO OPERATIVE USA	2
IN THE POCKET USA	2
SAFELY KEPT USA	2

*Minimum 2 wins

BREEDERS CHALLENGE REGIONAL FINALS

The first Regional Finals were run during FY2010/11 and were held at Wagga on July 31. There were six \$20,000 finals available to the females and males of ages 2, 3 and 4YO. These races were named on behalf of the studs that continue to support the breeding schemes in NSW.

WINNERS:

2YO C & G – BEETSON, Bred by P D Trevor-Jones, R P Wenning, M Sieper and D K Wenning, Owned by P D Trevor-Jones, R P Wenning and D K Wenning, Trained by Peter Trevor-Jones, Driven by John O'Shea.

2YO FILLIES – ZENYATTA, Bred and Owned by C P McDowell and C A McDowell, Trained by Dean McDowell, Driven by Colin McDowell.

3YO C & G – ELSULITE, Bred by Colin Charlwood, Owned by Andrew Charlwood, Trained by Ian Wilson, Driven by Jim Douglass.

3YO FILLIES – SASSY STREET, Bred and Owned by Robert Sullivan, Trained by Peter Rixon, Driven by Cindy Rixon.

4YO E & G – RUNAWAY RED, Bred by Brooklyn Lodge Aberdeen P/L, Owned by RED Harness Racing P/L, Trained and Driven by Steve Turnbull.

4YO MARES – HAMILTON GYPSY, Bred and owned by G Ribarovski, J I Kociuba, L W Flynn, Est of K L Flynn and N R Flynn, Trained by Luke Mulley, Driven by Shane Hallcroft.



2011 Rising Stars (from left): Kate Dumesny, Les Bentley, Josh Osborn, Ashlee Siejka, Anthony Frisby, Michael Muscat, David White, Rebecca Brown, Chris Voak, Scott Hewitt, Matthew Harding, Blake Jones, Rachael & David Micallef and Brian Ingram

RISING STARS SERIES

The Rising Stars Series was again conducted in late June with nine NSW junior drivers joined by WA Rising Star Chris Voak. Training and development activities including visits to the Fitzpatrick and McCarthy stables, a veterinary presentation at Agnes Banks Equine Clinic, media training at Sky Racing and participation at the Industry Forum, were organised around heats conducted at Menangle, 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.

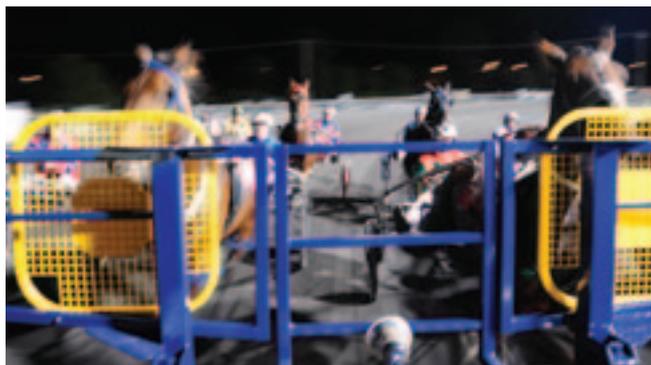
Western Districts representative Blake Jones held a two point lead heading into the deciding heat on Breeders Challenge Final day at Tabcorp Park Menangle however Chris Voak, the most successful driver in terms of winners driven throughout the series, defied history and his lack of local experience to prevail by four points.

FEATURE RACES

The 2010/11 season saw a restructure of race dates across the state with each club afforded a prime slot in which to run their feature meetings and all clubs allocated either a Carnival of Cups or Sky Super Sprint Series date.

The financial year began with the inaugural running of Breeders Challenge Regional Finals at Wagga. Designed to cater for horses with lesser Breeders Challenge records and provide increased opportunity for their breeders, owners, trainers and drivers, the meeting included six \$20,000 finals, one for each sex aged two to four years.





Early in the new season, Eugowra's Canola Cup meeting earned Sky Racing coverage and TAB status for the first time. With record prizemoney levels the meeting produced an excellent card with the Frank O'Sullivan trained and driven Marooned taking the feature.

Eugowra was followed on the Carnival of Cups roster by Bathurst with its Boxing Day Shirley Turnbull Memorial meeting. The long standing feature drew a smart field and was taken out by Holy Camp Boy over Lady Lexus and Karloo Mick. Leeton followed six days later on New Years Day when the MIA Breeders Plate was stolen by Victorian raider Western Rockstar while Northern Frontier shook things up taking out the main feature on the Elvis inspired Parkes Gold Cup meeting held on January 5.

The 48th running of the Inter City Pace followed at Maitland three days later with the David Kennedy trained Goeslikell proving too strong. The Riverina gelding, returning home to tackle Temora's feature a week later, could only manage a third placing behind smart Western Districts mare Imatomo but found success again in the Junee Cup on Australia Day. The Safe And Sound gelding would also add the JD Watts Memorial to his tally of Carnival of Cups successes prior to the end of the season.

Jasper Gold's upset win in Tamworth's Golden Guitar completed a busy January Carnival of Cups schedule.



Other notable Carnival of Cup victors included Royal Surprise in Young's Cordina Farms Pacing Cup, Our Sixpence in Dubbo's Red Ochre, Washakie in Goulburn's Frank and Edna Day Memorial Cup and Tear It All Away in Wagga's Pacers Cup.

Perhaps the most notable addition to the Carnival of Cups calendar was NSW's first all trotters day, held at Coolamon on April 25. The meeting featured the inaugural running of eight classic races highlighted by the La Coocaracha, the richest open trotting mare's race in Australasia which was won by NSW darling Arizona Blue.

In another significant change to the Premier State's feature races, the Chariots Of Fire was moved from July to be run in conjunction with the NSW Derby and APG 2YO Fillies Final on April 30, thus strengthening the Autumn Carnival and avoiding clashes with the Australasian Breeders Crown 4YO races.

The Chariots of Fire and lead up races, the Hondo Grattan and Paleface Adios Sprints, were thus run twice in FY2010/11. The races run in July were the first to be conducted at Tabcorp Park Menangle and the first time the Chariots had been conducted over the sprint journey.

With the first five placegetters from both qualifying sprints guaranteed a start in the Chariots, the Hondo





Grattan and Paleface Adios Sprints drew outstanding fields. In the former, Make Mine Cullen, the country's best race mare, enjoyed a nice mid-race break and out-sprinted the much favoured WA visitor Ima Rocket Star. The racing pattern was repeated a week later in the Paleface Adios Sprint however, Queensland raider Buckeye Nation, for the powerful McCarthy stable, gained an inside run to down the smart front-running Victorian Villagem.

Both runners-up however, were soon to enjoy better fortune. In the more genuinely run Chariots Of Fire, Ima Rocket Star worked hard to find the lead and fought gamely at the finish to hold off all but the Lisa Miles trained and driven Villagem who scored the biggest win of his career coming from well back on the turn to take the 4YO classic.

Proven Grand Circuit stars Karloo Mick and Washakie headed a star studded Newcastle Mile field on November 13. The Fitzpatrick stable was again well represented and maintained its outstanding record in the race when the underrated Rohan Home saluted over Magic Operative and Fitzpatrick's more fancied runner Lonestar Legend. The win secured Rohan Home a Miracle Mile berth whilst both minor placegetters headed to Menangle a week later to compete for a spot via the Cordina Chicken Sprint.

Prominent owner Rod Smith teamed with the Fitzpatrick camp and John Starr to take the P J Hall Memorial with Dashing Christian at Penrith on November 18, before his favourite racehorse, Lady Lexus, also took her place in the Cordina Sprint field two nights later. Lonestar Legend was again the more favoured of the Fitzpatrick runners and led early in a sizzling first quarter after being pressured by Victorian visitor Our Malabar. The early speed proved advantageous to Lady Lexus who gained a run from mid-field on the back of Washakie to



finish second to the Queenslander who had sustained a run from the rear of the field to win in a then track record time of 1:50.5 in turn earning him a Miracle Mile berth. War horse Karloo Mick finished third and joined Lady Lexus on the emergency list for the following week's feature. They would eventually join Lonestar Legend in the Bohemia Crystal Free For All but would find the son of Western Hanover too good on the night.

Saturday night 27th November saw emerging stars and established champions converge at Tabcorp Park Menangle for the country's premier sprint race, the SEW Eurodrive Miracle Mile. High priced USA import Mr Feelgood, having joined the all-conquering McCarthy stable earlier in the season, provided strong Queensland representation with stablemate Washakie and Australasia's greatest pacer Blacks A Fake while Smoken Up, Villagem and Make Mine Cullen provided a powerful Victorian presence. New Zealand champion Monkey King returned to defend his title while the Fitzpatrick stable provided the home state with its sole runner in Rohan Home.



The depth of the field and the new 1400 metre track proved to be the making of the race. Although Blacks A Fake showed his customary early speed to find the lead, Lance Justice immediately demonstrated his intentions and confidence by sending Smoken Up forward to challenge. When the leading pace slackened slightly during the second quarter, Lance accelerated to maintain a solid tempo while Luke McCarthy began Mr Feelgood's run from a rearward position. The field bunched at the 600 metre mark and close racing ensued to the finish with less than seventeen metres separating first to last, with the winning margin between Blacks A Fake and his victor Smoken Up but half a head.

Last placed runner in the Miracle Mile was Washakie, who backed up one week later to take out the M H Treuer Memorial. Taking on early leader Special Albert, Luke McCarthy found the front on the Badlands Hanover gelding within half a lap and despite being pressured mid race, held on strongly to win by a comfortable eleven metres. Far from disgraced, the beaten brigade included Blacks A Fake, who rounded the final bend five wide, and Vegas Bound who got clear late, finishing second and third respectively.

February saw the ninth running of the Linden Huntley Little Memorial's at Bulli. After an impressive heat win, Victorian trained filly Our Molly Finn started a deserved favourite in the fillies final and proved an easy winner over the Fitzpatrick's Marquess De Posh. The colts and geldings division was a more closely fought affair with the Ian Wilson trained Scandalman surviving a strong finish from Grand Stride to take the feature by a short half head.

Marquess De Posh found success one week later taking out the Pink Bonnet on the NSW Harness Racing Club's revamped ladies night. The meeting also featured the NSW Oaks, won impressively by smart Queenslander



Courageous Annie over Aussie Made Lombo and Vertigal, and the Cordina Chicken Farms Ladyship Mile. The country's premier mare's sprint attracted the brilliant New Zealand mare Nearea Franco and six Victorian contenders including race favourite and eventual winner Broadways Best.

Aussie Made Lombo and Vertigal made the most of Courageous Annie's absence from the Bathurst Gold Bracelet Final in March, finishing first and second respectively while smart colt Oscar Lane proved too strong in the Chalice. Brilliant juveniles assembled for the card's main attractions, the Gold Crown and Gold Tiara, both with particularly strong local and interstate representation. In the Group One fillies event, the Emma Stewart trained favourite Shake It Mama was forced to sit outside the leader but still prevailed easily over The Archduchess and Lettucereason. The Gold Crown was to fall to another Victorian juvenile trained by another Victorian lady in similar fashion, with the Jayne Davies trained Soho Valencia racing outside leader Grand Stride before pulling away in the final stages.

A month of quality racing commenced when the Carousel Final returned to Bankstown in early April. The time honoured race was taken out by the Ian Wilson trained Tori Jack, a five year old horse by Christian Cullen out of Overlite, bred and raced by the smart racemare's owner Colin Charlwood. Rohan Home added both the Chippy's and Renshaw Cup trophies to his owner's mantelpiece while Luke McCarthy captured both Chariots Of Fire preludes winning the Hondo Grattan and Paleface Adios Stakes with Motu Crusader, trained by his father, and For A Reason respectively.

The Chariots of Fire meeting on April 30 also featured the Len Smith Mile and the finals of the NSW Derby and the APG 2YO Fillies series. Queensland connections took first feature race honours when the Bill Dixon trained

filly Rosa Mach scored in the \$300,000 APG Final, and Darrel Graham added to the Sunshine State's tally taking out the Chariots impressively with Lanercost. Star NSW three year old Excel Stride returned glory to the home state, working to the lead early in the Derby and comfortably holding his rivals at bay in the run home. The night's highlight however was undoubtedly Smoken Up's new track and Australasian Mile Record set in winning the Len Smith Mile. The Tinted Cloud eight year old burnt early from the outside of the gate to cross the field and lead throughout the event, running away from his opponents in a blistering 1:48.5.

The best NSW bred juveniles were on display at Tabcorp Park Menangle on June 26 where young stars of the track lined up in four Group One Alabar NSW Breeders Challenge Finals. Favourite in the Two Year Old Fillies division was Lettucereason, a recent addition to the powerful Luke McCarthy stable while two runners drawn the outside gates, Victorian trained Louvre and Two



Eye See's little sister Oh Eye See, were also strongly supported. The trio would fight out the finish with Josh Willick's mid race move on Louvre proving judicious. Lettucereason held on courageously to take second from the fast finishing Oh Eye See.

The Paul Fitzpatrick trained Three Over Three started a short priced favourite In the Two Year Old Colts and Geldings division. Given every chance by son Cameron, the Mach Three colt took the lead as the field straightened for the run home but was quickly collared by Glenn McElhinney and Theartofdelusion, the pair holding on for a convincing win over Deemajor Hangover and Hes Magic Red.

Vertical replicated her two year old victory to capture the Three Year Old Fillies division for trainer-driver David

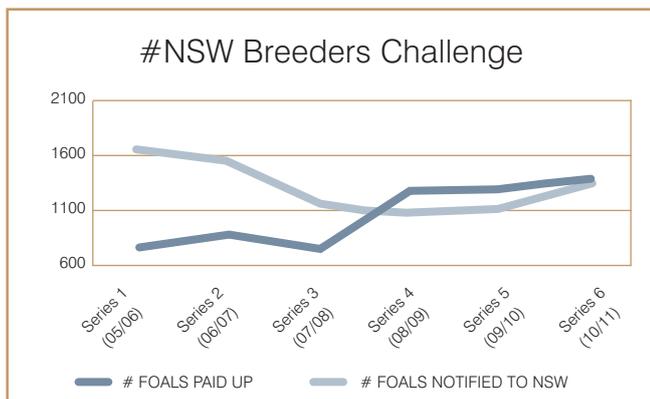
Thorn. Showing her customary dash, the pint-sized filly came wide from last to down two Western Districts fillies in Shez All Magic and Sign On Sally, driven by brothers Bernie and Mark Hewitt respectively. The Alabar Breeders Challenge fairytale was not to continue however, for the Lizzie Heath trained Excel Stride. Drawing badly, the Aces N Sevens colt was moved around the field early to sit outside race favourite Sushi Sushi, the Victorian champion avenging his Breeders Challenge two year old defeat by running away with a comfortable win.

BREEDING SCHEMES

The NSW Breeders Challenge was expanded with Regional Finals, run at Wagga in July 2010, added to the established Alabar Race Series, and Breeders Challenge Owners Bonus Certificates replacing State



Bred Bonus Scheme Certificates from July 1. With an increased budget of \$700,000, the scheme's conditions allowed for the inclusion of 4YOs which had previously been ineligible to win bonus certificates. Provision was also made for a Trotters Breeders Challenge Series and a Nominators Bonus for foals produced as a result of matings in the 2010/11 season.



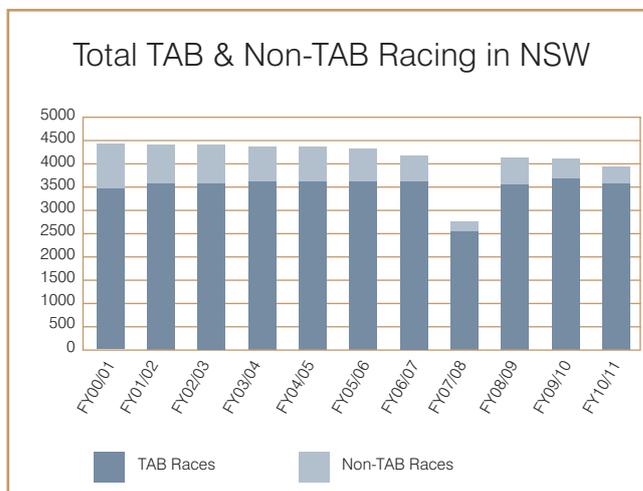
In total, 69 interstate and international stallions from the most prominent studs in Australia and New Zealand were nominated for the NSW Breeding Schemes, with their studs agreeing to pay foal fees in return for the redemption of State Bred Bonus Scheme Certificates and Breeders Challenge Owners Bonus Certificates. Their nominations also made them eligible for the stallion nominator share of all Breeders Challenge Race Series prizemoney.

The first sustaining payments for 2YO's were implemented with better than expected acceptance rates. There was also a substantial increase in the number of foals notified to NSW, resulting in an additional increase to the number of Breeders Challenge eligible foals. Service numbers for the season have been recorded at high levels with another increase in foals expected in the forthcoming season.

CLUB OPERATIONS

The club funding structure in FY2010/11 was amended with a Tiered meeting structure replacing the classification of Regional Racing Centres. Clubs were allocated a mixture of meetings funded at different levels represented by four Tiers with provision made for feature meetings and increased TAB coverage. The majority of meetings were funded at eight races, each at the allocated Tier funding level. The exceptions were races run during September and October which were funded at seven races per meeting due to the small horse population experienced during these months, and Saturday twilight fixtures with a SKY 2 allocation which were funded for six.

Total prizemoney available was increased with Tier 1 prizemoney at \$5,500 per race and Tier 2 races worth \$4,500. Tier 3 meetings were funded at \$3,000 per race and Non-TAB meetings at \$1,500 per race. Non-TAB product converted to TAB product through the provision of additional Sky Racing coverage, drew increased funding of \$2,500 per race. The percentage of Non-TAB meetings against the total number conducted continued to decrease.



PRINCIPAL CLUB

The NSWHRC (Harold Park & Menangle) conducted 109 race meetings (893 races) and received \$13.1 million in total funding from the TAB Distribution in FY2010/11. Total turnover on metropolitan meetings was \$62.8 million.

ALL OTHER NSW CLUBS

Due to the restructure of the funding to all clubs, the previous classifications of Regional Racing Centres Levels 1 & 2, Graduation and Penalty Free ceased to apply. A total of 159 Tier 1 meetings were conducted (1,311

races) across NSW and included 10 Carnival of Cups events. These T1 meetings received \$5.9 million in total funding from the TAB Distribution in FY2010/11. Total turnover on Tier 1 meetings was \$70.3 million.

A total of 113 Tier 2 meetings were conducted (872 races) across NSW. These T2 meetings received \$4.9 million in total funding from the TAB Distribution in FY2010/11. Total turnover on Tier 2 meetings was \$40.7 million.

A total of 128 Tier 3 meetings were conducted (938 races) across NSW and included 16 Tier 3 Twilight events. These T3 meetings received \$4.4 million in total funding from the TAB Distribution in FY2010/11. Total turnover on Tier 3 meetings was \$39.1 million.

SHOW RACING

Barellan, Crookwell, Gilgandra, Nowra, Ungarie and Weethalle conducted show trotting for their second successive year.

Show racing returned to Maitland in February and coincided with the annual Maitland Show. In addition, the Northern Rivers region, once home to a strong show circuit, showed every indication that it will be again, with six tracks approved to conduct show racing during the year. Both Grafton and Maclean successfully conducted a show race gala during FY2010/11 with other clubs expected to follow suit this coming financial year.

Additional tracks approved include Grenfell and Gunnedah, while others, including Ganmain, Kempsey, Nambucca Heads and Wauchope, are likely to be approved in early FY2011/12.

TRAINING FACILITIES

Fairfield and Maitland are operated as Training Facilities







whereupon they conduct regular trials and provide participants with access to facilities on which they may undertake training activities.

In FY2010/11 these clubs received a total of \$116,000 in direct funding from the TAB Distribution via the Industry Fund for their operations and each was also successful in securing a Carnival of Cups event.

The track maintained by Hawkesbury participants at Clarendon was also supported financially by Harness Racing NSW, as were tracks at Cessnock and Riverstone.

HARNESS RACING CLUBS COMMITTEE

The Harness Racing Clubs Committee was formed in 2002 to replace the TAB Clubs Committee as the body responsible for working with Harness Racing NSW to administer the industry's club and racing operations as outlined in the *Intracode Agreement 2004*.

During FY2010/11, Harness Racing NSW provided representation at all Harness Racing Club Committee meetings to advise delegates on a range of Harness Racing NSW initiatives and receive feedback on matters of importance to clubs.

Issues addressed included race date allocation and prizemoney funding, gig insurance, ambulance coverage, insurance and RDF applications.

The Harness Racing Clubs Committee is funded from an annual levy on its members and does not receive any financial assistance from Harness Racing NSW.

GRADUATION AND PENALTY FREE CLUBS ASSOCIATION

The Graduation and Penalty Free Clubs Association

was formed in 2003 to replace the Country Clubs Association following structural changes arising from the implementation of Harness Racing NSW's Strategic Plan.

Harness Racing NSW representatives attended Graduation and Penalty Free Clubs Association meetings held in FY2010/11 to address issues such as the funding of country-based Non-TAB clubs, the conversion of Non-TAB race dates to TAB product, allocation of Carnival of Cups meetings, the construction of a new racing facilities and handicapping policies.

The Graduation and Penalty Free Clubs Association is funded from an annual levy on its members and does not receive any financial assistance from Harness Racing NSW.



TAB Number 1 Club Carnival of Cups Honour Roll / Feature winners

Date	Club	Prizemoney	Race	Winner	Trainer	Driver
04/10/10	Eugowra	\$12,000	Canola Cup	Marooned	Frank Sullivan	Frank Sullivan
26/12/10	Bathurst	(G3) \$30,000	Shirley Turnbull Memorial	Holy Camp Boy	Mitchell Reese	Jarrold Alchin
01/01/11	Leeton	(G3) \$30,000	Breeders Plate	Western Rockstar	Brooke Hansen	Chris Alford
05/01/11	Parkes	\$15,000	Parkes Gold Cup	Northern Frontier	Lindsay Morphett	Paul Morphett
08/01/11	Maitland	(G3) \$40,000	Inter City Pace	Goeslikell	David Kennedy	Jarrold Alchin
15/01/11	Temora	\$10,000	Temora Pacers Cup	Imatomo	Anne O'Connor	Michelle Crook
26/01/11	Junee	\$10,000	Junee Pacers Cup	Goeslikell	David Kennedy	Jackson Painting
21/01/11	Tamworth	\$20,000	Golden Guitar	Jasper Gold NZ	Roy Roots Jnr	Mark Callaghan
12/02/11	Young	(G3) \$35,000	Cordina Farms Pacing Cup	Royal Surprise	Steve Turnbull	Amanda Turnbull
12/02/11	Narrabri	\$4,000	Carnival of Cups Pace	You Just Watch Me NZ	Anthony Mabbott	Anthony Varga
19/02/11	Albury	\$10,000	Albury Pacers Cup	Kissmekatie	Ian Montgomery	David Jack
26/02/11	Bulli	(G2) \$50,000	Linden Huntley Little Memorial (2yo Fillies)	Our Molly Finn NZ	Andy Gath	Kate Gath
26/02/11	Bulli	(G2) \$50,000	Linden Huntley Little Memorial (2yo C&G)	Scandalman NZ	Ian Wilson	Jimmy Douglass
05/03/11	Blayney	\$5,000	Bill Soo Memorial	Arwoc Flier	Gregory Cattell	Mat Rue
13/03/11	Orange	\$10,000	The Banjo Patterson Pace	Runaway Red	Steve Turnbull	Amanda Turnbull
19/03/11	Muswellbrook	\$7,500	Hunter Valley HRA Cup	Kamwood Raider	Mitch Butterfield	Mitch Butterfield
03/04/11	Inverell	\$5,000	Inverell Cup	Flying Sorcerer	Robert Clement	Cindy Rippon
23/04/11	Dubbo	(LR) \$25,000	Red Ochre Mares Classic	Our Sixpence NZ	Luke McCarthy	Luke McCarthy
24/04/11	Goulburn	(LR) \$25,000	Goulburn Cup	Washakie NZ	Luke McCarthy	Luke McCarthy
25/04/11	Coolamon	(G3) \$25,000	La Coocaracha	Arizona Blue	John Heath	John Ogden
01/05/11	Forbes	\$6,000	Forbes Services Memorial Club	Shave It Off	Katie Jenner	Jason Gaffney
07/05/11	Wagga Wagga	(LR) \$25,000	Wagga Pacers Cup	Tear it All Away	Geoff Webster	Nathan Jack
04/06/11	Cootamundra	\$7,500	Cootamundra Cup	Strong Sapphire	Nathan Hurst	Nathan Hurst
11/06/11	West Wyalong	\$5,000	Mallee Cup	Mister Manhattan	Shaun Snudden	Philip Maguire
12/06/11	Cowra	\$6,000	Cowra Cup	All Time Legend	Steve Turnbull	Amanda Turnbull
13/06/11	Fairfield	\$11,000	J D Watts Memorial	Goeslikell	Jarrold Alchin	Jarrold Alchin
24/07/11	Peak Hill	\$7,000	Peak Hill Championship	Repleto	Peter Gavin	Kurt Lew

2010–2011 Carnival of Cups Award Winners

Horse of the Series: Mister Manhattan
Trainer of the Series: Steve Turnbull
Driver of the Series: Amanda Turnbull

Trotting Trainer of the Series (co-winners): Kevin Pizzuto
 Russell Commens
 John Heath



Review of Operations - Marketing

The FY2010/11 marketing strategy focussed on the image and profile of harness racing throughout New South Wales.

One of the ways this objective was achieved was through a higher volume of media releases submitted on both the hrnsww.com.au and harness.org.au websites complemented by the introduction of 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 Triple M.

Having a consistent and regular Wednesday column in The Daily Telegraph has now been achieved after developing a relationship with Editor Ray Thomas. Harness Racing NSW is also 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.

Foal numbers have increased significantly this season with approximately 1,521 foals freeze branded in NSW. This is an impressive 7% increase on the 1,416 foals branded the previous season. This increase can be attributed to the many breeding initiatives introduced by Harness Racing NSW combined with the development

of the Breeders Challenge concept through new marketing initiatives.

The Alabar Breeders Challenge Finals Day, which saw some of the best juvenile racing in NSW, allowed Harness Racing NSW to expand its current marketing strategy. The family friendly atmosphere was strengthened with the inclusion of an on-course Family, Food and Fun Festival while the industry benefitted from an industry forum, where guest speakers provided informative talks on current issues surrounding the industry.

THE GAZETTE

The monthly publication underwent further restructuring incorporating a new Editor and a change in direction and coordination.

The magazine now encompasses distinct promotion of harness racing in NSW and its many participants.

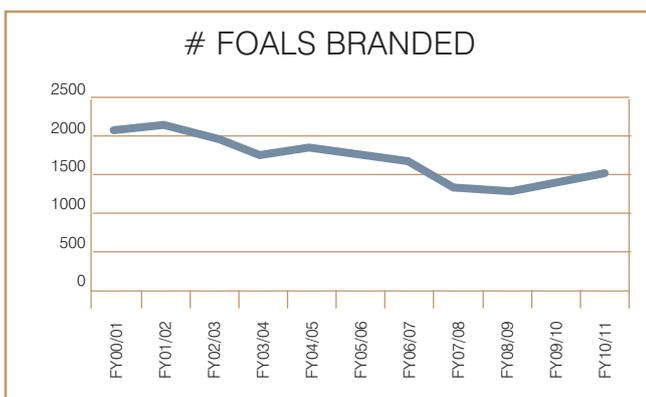
Harness Racing NSW staff have contributed significantly including educational articles by "The Apprentice" along with regular features on topics such as retired horses in Standardbreds Unharnessed.

The Stallion Incentive Scheme advertising packages resulted in an increase in breeding promotion; again re-iterating 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.







Trots TV has proved immensely popular with the industry. Its content currently includes full race replays, full trial replays from various tracks, stakeholder interviews and a "Mike's Mail" segment. On major race nights a panel of experts preview the night's racing and provide selections.

The Trots TV team includes Mike Ko'cass and Harbor Television Productions who have been instrumental in its development.

The response has been most overwhelming with over 3,400 individual visits to the site in the first four weeks and overall page reviews of 34,000.

Most followers have entered the site directly (trotstv.com.au) or through the Harness Racing NSW web page link.

HARNESS RACING NSW WEB SITE

The Harness Racing NSW website was also upgraded during the year. A 'new look and feel' was achieved with enhanced 'user friendly' navigation, sharper colours

and improved image resolution.

The Harness Racing NSW web site provides regular updates across various categories including Racing, Integrity, Media Releases, Owning and Breeding along with Change of Tactics.

FACEBOOK

Facebook has been popular for the harness racing community. The Harness Racing NSW page has grown from 2,000 to over 4,000 active friends who receive regular news, updates and light-hearted information.

Competitions are also initiated on facebook with Harness Racing NSW merchandise and cash prizes on offer.

2010/11 TAB NUMBER 1 CLUB CARNIVAL OF CUPS

The Carnival of Cups series continues to grow and provides clubs with an opportunity to stage feature



Graeme Campbell with Bill and Noreen Young at the Fox Studios premiere of "The Ribbon Of Light"

meetings with the highest levels of prizemoney.

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

Harness Racing NSW, in conjunction with the Coolamon HRC, conducted NSW's first fully programmed all trotters Carnival of Cups day featuring the richest mare's race in Australasia - the \$25,000 (G3) La Coocaracha.

The continuous increase in raceday crowds at Carnival of Cups venues has re-invigorated many race clubs that used the opportunity to promote their feature meeting. This coincided with Harness Racing NSW's promotion involving a chance for racegoers to win a brand new Toyota Yaris motor vehicle.

Twenty five people who had their names drawn out at each Carnival of Cups meeting during the year were given a key which may open the car at Harness Racing NSW's awards night in October, 2011.



ALABAR NSW BREEDERS CHALLENGE INDUSTRY DAY

Alabar Breeders Challenge Day 2011 was arguably the most successful raceday that Harness Racing NSW has conducted since the Breeders Challenge inception in 2008.

Four quality races including a mouth watering clash between Sushi Sushi and Excel Stride in the 3YO colts and geldings final 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 finals series Harness Racing NSW promoted the day by launching a Food and Wine Festival which was designed to attract newcomers to Tabcorp Park Menangle. The finals series was promoted throughout the week and ensured that thousands more turned out including many local families who had never attended a harness race meeting before.

2010 AWARDS NIGHT

The 2010 Awards Night was another resounding success. Held at Dockside in Cockle Bay, the evening attracted 400 participants who thoroughly enjoyed themselves. The theme was Hollywood Glam reflecting on the Harness Racing Stars of the Decade.

The major award for the evening, the Harness Racing NSW 2009/2010 Harness Horse of the Year was fittingly won by Dubbo's favourite standardbred Karloo Mick. The popular pacer took out honours against some of the finest horses going around NSW tracks last season.

The Decade Awards were a special addition to the awards evening with voting conducted online via

the Harness Racing NSW website. Notably, Horse of the Decade was won by Smooth Satin who had an outstanding record in the early to mid 2000's with Miracle Mile and Inter Dominion wins.

Media Personality of the Decade was none other than John Tapp, whose commitment and dedication to reporting on the sport is second to none. Tapp has played an integral role in the perception and delivery of harness racing to the broader community.

With the Global Financial Crisis (GFC) peaking in the middle of the 2009/2010 season, race clubs in NSW relied more than ever on volunteers to ensure that meetings were conducted to the professional standard required by the sport. Harness Racing NSW was pleased to announce five well deserving volunteers who performed exceptionally for their respective clubs. These were John Halley (Bathurst), Max Kingham (Blayney), Keith Boxell (Cootamundra), John Greenhalgh (Eugowra) and Anne Helson (Leeton).

The NSW Champion Driver was awarded to Greg Bennett; NSW Champion Junior Driver to Ashlee Siejka and Steve Turnbull was the NSW Champion Trainer.



The 2YO honours went to Vertigal, 3YO to Chariot King, Trotter of the Year went to Arizona Blue whilst Queen Xena was named Broodmare of the Year. Aces N Sevens took the Sire of the Year honours.

The Country Junior Driver Encouragement Award went to David White with the Metropolitan category taken out by Kerryann Turner.

HARNESS RACING NSW SPONSORS

Harness Racing NSW was privileged to have many new and current sponsors support its activities throughout the 2010/11 season.

John Coffey and Alabar Bloodstock continued their strong sponsorship of the Alabar Breeders Challenge race series whilst Tabcorp came to the fore once again in sponsoring the Carnival of Cups; with media affiliate Sky Racing providing naming rights to the Sky Super Sprint Series.

Oamps Insurance Brokers played a significant part in the 2010 Harness Racing NSW Awards Night as the Major Sponsor.

The night was also supported by:

Daily Form Service
Alabar Bloodstock
Wagga Harness Racing Club
Bathurst Toyota
Bankstown Harness Racing Club
Harness Breeders NSW
TAB Number 1 Club
Harness Racing Travel World
NSW Standardbred Owners Association
Penrith Harness Racing Club
National Trotguide
Pepper Tree Farm
Sky Racing



Review of Operations - Integrity

FUNCTIONS

Harness Racing NSW Stipendiary Stewards are employed to:

- Ensure that harness racing is conducted fairly, openly and transparently according to national and local rules of racing, and the regulations and policies of Harness Racing NSW,
- Perform all duties of the Steward of a Controlling Body as empowered and required by the Australian Rules of Racing,
- Attend race meetings, conduct inquiries and investigations, participate in appeals and perform other duties as required,
- Provide advice and guidance to clubs, industry participants and stakeholders on racing matters,
- Ensure the integrity of the individual members of the Stewards Section and of the Regulatory Services Division as a whole,
- Ensure the integrity of clubs, participants and all others involved in harness racing activities,
- Actively pursue breaches of local and/or national rules of racing, and other Harness Racing NSW regulatory policies and procedures concerned with racing, breeding, ownership and any other activity of the NSW harness racing industry,
- Provide Harness Racing NSW with an industry investigation capability within appropriate legal and statutory parameters, and
- Facilitate prosecutions for breaches of industry rules and regulations including liaison with external bodies and agencies as required.

PERSONNEL CHANGES

During the FY2010/11, the following personnel changes occurred:

Departures:

Michael Beattie (Chairman of Stewards)

Appointments:

Bill Cable (Acting Chairman of Stewards)

STEWARDS INQUIRIES

During the FY2010/11, the Stewards Panel presided over a broad range of inquiries involving offences under the Rules of Harness Racing with regard to offences committed by licensed participants. The rules summarised below were recorded to have the highest number of breaches:

Rule 44: Offences concerning notification of change of tactics - 5 reprimands and 39 fines

Rule 149: Offences concerning drivers not giving horses the best possible chance of winning - 15 reprimands and 17 suspensions

Rule 156: Offences concerning unsuitable whip use - 254 reprimands, 434 fines and 2 suspensions

Rule 159: Offences concerning inappropriate dress code - 22 fines

Rule 162: Offences concerning failure to adhere to minimum sectional time standards - 56 reprimands, 397 fines and 3 suspensions

Rule 163: Offences concerning interference during a race - 174 reprimands, 15 fines and 281 suspensions



Rule 168: Offences concerning careless or improper driving tactics which endanger horses or humans - 44 reprimands, 3 fines and 4 suspensions

Rule 210: Offences concerning failure to notify driver change - 107 fines

Rule 220: Offences concerning failure to properly fix an anti rearing device while leading a horse - 23 fines

Rule 231: Offences concerning the intimidation or threatening behaviour towards any industry participant - 8 reprimands, 14 fines and 1 suspension

Rule 268: Offences concerning lodgement of original or subsequent change of gear form - 54 fines

NATIONAL DEVELOPMENTS

During the FY2010/11, several changes to the National Harness Racing Rules were approved by Harness Racing Australia and are summarised below:

Amended Dictionary Definition of Approved Instrument
14 September 2010

Rule 156(2) approved 1 October 2010 – Whip Usage

Rule 119 (B) approved 18 October 2010 – Eligibility for Nomination

Rule 119 (A)(1, 2, 3 and 4) approved 18 October 2010 – Temporary Transfer of Horses

Rule 75 (2)(iii) approved 18 October 2010 – Claiming Races

Rule 4.2 approved 18 March 2011 – Handicapping for 2YO Pacers

Rule 162 (1)(v) approved 20 May 2011 – Rein Loosening

Rule 156 (4)(c) approved 20 May 2011 – Whip Usage

STATE DEVELOPMENTS

During the FY2010/11, several changes to the Harness Racing NSW Rules of Racing were approved by the Board and Regulatory Panel and are summarised below:

1. Driver and Scratching Policy
2. False Start Conditions
3. On Course Arrival Time (Trial)
4. Positions in running at Menangle

In early 2011 swab officials were introduced at all NSW tracks where previously they were only required for meetings conducted at Tabcorp Park Menangle. This has enabled an increase in pre-race and post-race swabbing of both urine and blood to be undertaken in order to increase the integrity of the Harness Racing Industry.

Another Harness Racing NSW initiative introduced during the year was the inclusion of Change of Tactics on the Harness Racing NSW website. This has allowed stakeholders and punters to easily access this information which was previously only advised on course.

DRUG TESTING AND SURVEILLANCE

With the allocation of swab officials, extra samples for illegal substances, in particular elevated TCO₂ (Bicarbonate Levels) and Erythropoietin (EPO), were obtained from winners and various placegetters on race days.

During the year the Board approved the removal of the official notification to trainers should their horse return an elevated but not illegal TCO₂ Level post race.

Drug and Alcohol testing of participants was also conducted randomly throughout the year.

Stewards continued to perform early morning stable inspections for metropolitan and provincial stables particularly on major carnival race days.

In addition to the stable inspections, stewards and hired surveillance personnel were assigned to 24-hour stable supervision prior to major carnival race days.

Inspection of registered training facilities such as Hawkesbury, Maitland, Fairfield and Riverstone were carried out by Stewards on a regular basis. This was to

ensure that participants carrying out training or driving activities at any of these facilities were adhering to the safety requirements of harness racing. Key components of the inspections were the use of approved safety vests and helmets and also to ensure that all active participants held the appropriate Harness Racing NSW licence.





Review of Operations Integrity 2010 – 2011 Offence Register

Rule	Description	Number of Occurrences during FY2010/11			
		Reprimands	Fines	Suspensions	Disqualifications
15	Stewards empowerments	20	36	0	0
25	Offences relating to Stable Returns	0	1	0	0
41	Breaches of on-course arrival time	0	1	0	0
42	Stewards must be notified if a horse will not be on course at the correct time	0	2	0	0
43	Driver arrival time on course	0	3	0	0
44	Not notifying change of tactics	5	39	0	0
52	All clear offences	3	1	0	0
88	Withdrawal of horses from races	0	1	0	0
90	Breach of trainer's licence responsibility	1	0	0	0
91	Not holding a current licence	0	3	0	0
135	Not having correct re-qualifying forms (Form R134-A)	6	5	0	0
149	Drivers not giving their horses the best opportunity to win or place	15	0	17	0
152	Owners & Trainers must drive their own horses	2	2	0	0
154	If a horse breaks gait, immediate action needs to be taken	1	0	0	0
156	Offences relating to whip use	254	434	2	0
157	Offences relating to eligibility to drive	0	2	0	0
159	Offences relating to dress code	0	22	0	0
162	Offences relating to the start of the race	56	397	3	0
163	Offences relating to conduct during a race	174	15	281	0
165	Offences relating to the start of the race	3	1	0	0
168	Offences relating to careless driving	44	3	4	0
170	Offences relating to sulkies	3	11	0	0
183	Action pending outcome	0	0	4	0
187	Offences committed during an inquiry	2	3	1	1
190	Out of Competition testing	0	1	4	1
202	Offences relating to unlicensed drivers	0	1	0	0
204	Offences relating to unlicensed stablehands	0	2	0	0
205	Persons shall only be on track if approved to be there	1	0	0	0
209	Providing false or misleading information	0	1	0	0
210	Offences relating to notifications	0	107	0	0
220	A horse must be lead with a bit	0	23	0	0
223	Adequate protective clothing must be worn	0	15	0	0
224	Helmets must be fastened at all times	0	1	0	0
231	Offences relating to intimidation or threatening behaviour	8	14	1	0
239	Offences relating to stewards orders and instructions	0	4	0	0
243	Offences related to corruption and related matters	0	2	0	0
252	Offences related to intoxication and drug abuse	0	0	1	0
259	Restrictions for disqualified persons	0	1	0	1
268	Offences relating to gear	0	54	0	0
269	Offences relating to notifying a change of gear	0	2	0	0
272	Offences relating to colours	1	0	0	0
273	Offences relating to unsafe gear use	2	13	0	0
	Totals	601	1,223	318	3



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 an eyeopening 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 for the Carnival of Cups and Super Sprint Series, promotional airtime, live hosting for certain events and a contribution to the digital photo finish upgrade.

In the FY2011/12 Tabcorp will provide sponsorship by way of the provision of DVN technical assistance at various courses. In addition Harness Racing NSW has been able to obtain sponsorship for clubs which is matched by clubs providing signage and other benefits to Tabcorp and its clients.

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).

HARNESS RACING AUSTRALIA

During FY2010/11 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.

Primary activities for FY2010/11 included:

- Contributing to the scoping and implementation of a national survey
- Determination of key priorities and activities relating to wagering
- Ongoing lobbying against the implementation of preventative vaccination for equine influenza
- Signing of the EADRA agreement and the passing by Government of the levy collection mechanism
- Establishing a breeding panel to look at the decline in breeding within the Standardbred Industry
- Continuing to develop gear and equipment testing and development with the view of improving safety
- Working with Harness Racing New Zealand on the transfer of the 2011 Interdominion from Christchurch due to the earthquake of January 22 2011
- Consultation on the future of the Inter-dominion post 2012
- Development of a stronger, better defined role for Harness Racing Australia

HARNESS 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.

INDUSTRY ASSOCIATIONS

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

Each of the Associations continued to benefit from the promotion of websites created and managed by Harness Racing NSW that have proven their worth in enabling the Associations to better communicate with their members.

The United Harness Racing Association and Harness Breeders NSW in particular continued to provide substantial 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 newly formed NSW Standardbred Owners Association by Harness Racing NSW during FY2010/11 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 Maitland over the Easter weekend.

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 of new Associations to represent segments of the industry that at this time lack a mechanism to more actively participate in industry administration.



NSW MINI TROTTING ASSOCIATION INC ANNUAL REPORT



The 2010/11 Season was one of NSW Mini Trotting Association's most successful with participation levels the highest for many seasons.

Membership levels dropped to approximately 70 after E.I. devastated the equine industry. However, it has grown dramatically to around 163 junior members during the 2010/11 season; an increase of 133%. This

has been achieved by affiliated clubs working hard to attract new members. It has been pleasing to see new clubs in the Tamworth and Shoalhaven districts being amongst those clubs that have increased their membership levels.

It is a constant challenge for clubs to attract new members as junior members retire from the sport at 16 years of age. All clubs therefore need to keep attracting new participants.

One of the most pleasing aspects of the season was to see a record 149 ponies attend the NSW Mini Trot Championships held at Maitland Showground over the Easter long weekend.

Congratulations go to our champions in three divisions. Midnight Express for Mckayler Barnes, Secret Mission for Kate Moore and Energiser driven by Chris Geary. To all those who attended and competed in a friendly and competitive atmosphere we hope you took home many



good memories and friendships. We thank you all for supporting the championships.

The Newcastle Maitland Club ran a very successful carnival and many thanks to their officials and helpers and to those who also assisted with the conduct of the championships over the two days. These events do not happen without sponsors and to the many that supported the Association - we thank you all. Special thanks to Adam Fairley who gave up family time over Easter to represent Harness Racing NSW at the championships.

Once again Harness Racing NSW assistance has been valuable and the Association thanks everyone involved.

On a sad note Anne Marie Hancock, who served the Association and the Newcastle Maitland club as an official and helper, passed away during the season. All her many friends in the Association will remember Anne Marie for all the good times and we pass on our sympathy and condolences to her family.



Moving forward to the 2011/12 season, which will see 30 years of mini trotting in NSW, the Association is looking forward to fostering the growth of harness racing through its junior members. However because we are losing members toward the top end of our age limit we are keen to work with Harness Racing NSW to come up with a plan to preserve these older members as future harness racing participants.

The Association is also looking to use the Carnival of Cup series as an avenue for spreading the message of mini trots to the public and hoping to encourage more members to join.



UNITED HARNESS RACING ASSOCIATION ANNUAL REPORT

The 2010-2011 Season commenced on a positive note for the UHRA and all Industry participants with Funds from the Sale of Harold Park and Race Fields Legislation signaling increased prizemoney and providing a flow on platform for a buoyant future for Harness Racing in NSW.

The UHRA elected Office Bearers for FY2010/11 and are as follows:

President	Neil Day
Vice President	Gavin Fitzpatrick
Secretary	Wally Mann
Treasurer	David Thorn
Committee Members	Barry Lew Peter Morris Steve Maguire 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, which is, "co-operation in the best interests of the Industry as a whole" and "to present a clear majority view".

During FY2010/11 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 to name a few.

Trainer and Driver Insurance continues to cause angst and together with Harness Racing NSW the UHRA is working to improve Participants cover which is acknowledged by both parties as being inadequate.

Another positive note for the Industry was the inaugural Industry Forum which was held in June 2011 and proved to be a huge success and will provide a platform to expand upon in coming years.

UHRA was pleased to be instrumental in the establishment of a Junior Driver Development Fund and the subsequent Young Drivers Tour of USA to be held in August 2011.

Regrettably the 2010-11 Season ended on a negative note however UHRA has supported Harness Racing NSW in its actions to regain the integrity and ethical standards required by the overwhelming majority of honest, hard working Participants in the Industry in New South Wales.



NSW STANDARD BRED OWNERS ASSOC. ANNUAL REPORT

We are pleased to report to the members of the Association, on behalf of the Committee, on the activities of your Association for the year ending 30 June 2011.

The second year of the Association has been a productive one with the Association being involved in a number of important matters and issues confronting Harness Racing generally and owners specifically.

The inaugural Dinner and Awards Night was conducted at Harold Park and was attended by 120 members and their guests, all of whom had a very enjoyable evening.

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

All Awards were individually sponsored. The award categories sponsor and recipients were:

2YO Fillies

Sponsored by: Nevele R Stud
Winner: Shezallattitude
Owner: Greg & Julie Targett

2YO Colts & Geldings

Sponsored by: Alabar Bloodstock
Winner: Excel Stride
Owner: Emilio & Maria Rosati

3YO Fillies

Sponsored by: Yirribee Pacing Stud
Winner: Lady Euthenia
Owner: Peter Lewis

3YO Colts & Geldings

Sponsored by: Stallion Station
Winner: Chariot King
Owner: P & J Walsh and Blake Fitzpatrick

4YO Mare

Sponsored by: Empire Stallions
Winner: Lady Peyton
Owner: P. O'Boyle

4YO Entires & Geldings

Sponsored by: Golden Gait Stud
Winner: Deadsetlucky
Owner: L. Kennedy

Trotter

Sponsored by: Investec
Winner: Earldom
Owner: Stephanie Walker

Aged Entires & Geldings

Sponsored by: Allianz
Winner: Min Min Lights
Owner: D Illistrom

Aged Mare

Sponsored by: T & G Insurance Brokers
Winner: Lady Lexus
Owner: F. Fitzpatrick, M. Wilson,
J Starr and R. Smith

Most wins owner

Sponsored by: Lexus of Parramatta
Winner: Paul Kahlefeldt

Most prizemoney won owner

Sponsored by: Revent
Winner: John Starr

Owner of the Year

Sponsored by: Davidson Cameron Board & Simmons
Winner: Paul Kahlefeldt

A free service to Million Dollar Cam, courtesy of Yirribee Pacing Stud was auctioned on the night. The winning bid was made by Mr. Les Bentley.

The Association in conjunction with a number of Country and Provincial Race Clubs established an Owners Award Category at the respective Club Awards Night.

The Association thanks all of the Clubs involved in participating in the Awards and again Bohemia Crystal for their generosity in making available the magnificent trophies awarded.

The race clubs and the winning owners were:

Race Club	Owner of the Year
Bathurst	G. Bullock
Bankstown	R. Lloyd
Dubbo	L & V Edwards
Newcastle	G. Woodforth
Parkes	D. Dwyer, J McQuire and K. Schulz
Penrith	R. Smith
Wagga	P. Kahlefeldt
Young	P. Schilles

Through the initiative of Committee Member, Peter Plummer, with the support of a number of race clubs and Harness Racing NSW, an Owners Association Bonus Race Series was introduced with the races being run between April and June. The Series was well supported by trainers and owners. A total of \$16,000 was paid in bonuses to 19 very happy owners.

The Association thanks Wagga, Menangle, Parkes, Dubbo, Newcastle, Young, Bathurst and Penrith Race Clubs for their participation in this successful venture.

The Association introduced an Owner of the Month Award to recognize outstanding achievements of owners' horses each month.

The Award winners for the 2010/2011 season were:

Month	Owner of the Month
July	George Montebello
August	Michael Hardy
September	Rodney Edgerton
October	John Starr
November	Alex Kay
December	Ron Lloyd
January	Ray & Jane Walker
February	Kevin Hurst
March	Kaye Kilgour
April	John Murphy
May	Peter & Marie Neil
June	Nathan Hurst

The Association acknowledges the work of Marie Neil in researching all race results to compile nominations for these monthly awards.

The Association has been actively involved in representing owners' interests in a number of current issues, including:

- Changes to the Australian Pacing Gold Series.
- Responded to Harness Racing NSW's draft Code of Conduct.
- Suggested a number of changes to correct anomalies in the NSW Breeders Challenge Race Series.

- Provided input and met with Harness Racing NSW concerning possible changes to Prizemoney Distribution.

The Association continues to maintain an impressive list of sponsors and thanks all of them for their ongoing support:

- NSW Harness Racing Club
- Harness Racing International
- NSW Harness Racing Gazette
- Bohemia Crystal
- Lexus of Parramatta
- Santa Furniture & Design
- Global Food Equipment
- Cordina Chicken Farms
- Gow Gates Insurance

- Investec Bank
- Yirribee Pacing Stud
- Woodlands Stud
- Golden Gait Stud
- Brooklyn Lodge
- Caltex
- Alabar Bloodstock
- Alliance
- Davidson Cameron Board & Simmons

At the time of writing the current membership is 179, certainly an encouraging number and we look forward to increasing the membership in the new year.

We wish to thank all the hard working members of the Committee and look forward to the Association's continued growth and relevance.



Barry Lew steering Karloo Mick to victory in the Cordina Chickens Pace at Cowra's Carnival of Cups meeting in June 2011

HARNES BREEDERS NSW ANNUAL REPORT

The aim of Harness Breeders NSW is to promote, encourage and support breeders of Standardbred horses in NSW. Harness Breeders NSW continued to grow during the year, with over 400 members having joined. New members from almost every state in Australia and New Zealand were signed up throughout the season.

Of the multiple benefits available, our members enjoyed savings of tens of thousands of dollars from discounted service fees to stallions at studs that agreed to provide generous discounts for our members. These discounts coincide with the availability of a larger breadth of choice and depth of quality of sire available to all breeders, from hobbyists through to professionals. Undoubtedly, these factors would have also contributed to NSW recording a 13% foal increase for FY2010/11.

With the proposed future prizemoney increases from the sale of Harold Park, the imminent resolution of the Race Fields legislation dispute and numerous specific breeding initiatives that Harness Racing NSW have implemented, NSW is more than ever the state to breed, sell or race. These benefits are now flowing through the various Breeders Challenge initiatives.

Harness Breeders NSW made many submissions to Harness Racing NSW as well as to interstate and national controlling bodies. Amongst the most significant were the submissions on the Australian Breeding Panel Report (ASBP), our feedback on the NSW Breeders Challenge and the changes made to the Australian Pacing Gold Series.

Specifically on the ASBP report, Harness Breeders NSW believes that programming more fillies and mares races is the fundamental issue if the breeding industry and field sizes are to be maintained. The report found 6.6% of races each season are exclusively restricted to female horses. If there were more opportunities for

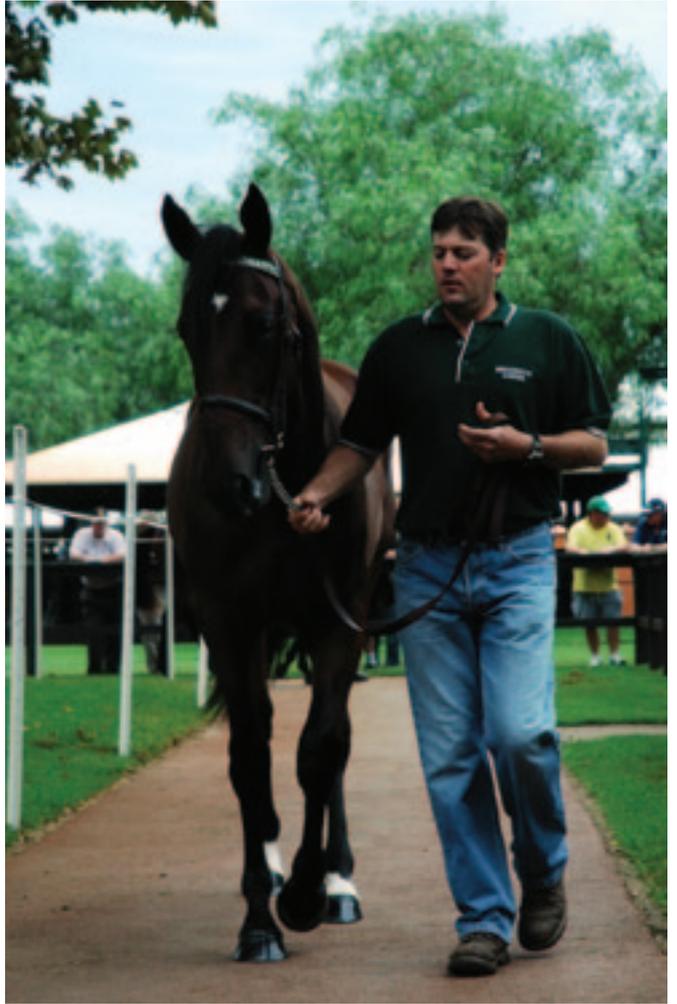
fillies and mares - who currently make up 50% of the existing standardbred population - to race against their own sex, their racing and breeding lives would be extended. As a result, interest in fillies at yearling sales would increase, as would their value.

Off the track, Harness Breeders NSW introduced a new website. The site has several key features aimed at celebrating and promoting the breeding and racetrack success of our members and their horses. It dynamically generates information such as that quoted below:

“Our members enjoyed considerable success in the breeding barn and on the racetrack. Thirty Harness Breeders NSW members had 41 horses they either bred and/or owned engaged in the NSW industry’s pinnacle day at the NSW Breeders Challenge at Menangle on June 26, 2011. In an outstanding result, Harness Breeders NSW members provided three of the four group one winners as well as multiple placings and success in other races.”

Harness Breeders NSW genuinely thanks all of its members for their continued support. We wish all participants the best of luck for the upcoming season in the breeding barn, getting to the races and on the track itself.





Corporate Structure

OVERVIEW

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

The basis of the structure during FY2010/11 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 the year and the updated structure included the introduction of a Regulatory Manager to enhance the Regulatory Services Division, the separation of Racing Operations whereby there is now a Regulatory Division and a Commercial Division and the addition of the Marketing Manager on the Executive team.

CEO & BOARD UNIT

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

As well as providing administrative support for the CEO and Board, the unit also carries out general administration for the organisation including building maintenance, stores and stationery management, travel and accommodation and records management.

FINANCE

The Finance Division is headed by Chief Financial Officer Mr Peter Carney.

The Division is responsible for the administration of funding arrangements with Tabcorp, 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.

REGULATORY SERVICES

The Division is responsible for the provision and coordination of all regulatory services including rules development, stewarding, inquiries and appeals.

Day-to-day control of the stewards and provision of stewarding services is provided by the Chairman of Stewards who reports to the CEO. Following the resignation of Mr Michael Beattie in February, Mr Bill Cable assumed the role initially in an Acting capacity prior to being officially appointed to the position on 30 June.

The newly appointed Regulatory Manager Mr Reid Sanders, who also reports to the CEO, has the responsibility to drive strategy and reforms within the Regulatory Division and to develop the most effective and dynamic Stewards panel.



Mark Read, Bill Cable, Peter Carney, Sam Nati, Dale Walker and Adam Fairley.

The separation of policy and operational functions in the structure of the Regulatory Services Division is designed to ensure that the integrity of racing is maintained and enhanced.

The Harness Racing NSW Regulatory Services Division restructure also includes three Senior Stewards, Head Stewards for the three major regional centres, a Senior Starter, a strong commitment to Cadets and the addition of a full time vet.

RACING OPERATIONS

Following the restructure, Racing Operations is now split into Regulatory and Commercial Divisions.

The Regulatory Division is headed by Racing Manager – Regulatory Mr Mark Read.

This division is directly responsible for checking and loading race programs as submitted by Clubs, loading of nominations for both races and trials, the handicapping of race fields and the distribution of racing information to the media and TABs. It also administers all registrations across the state including those for participants and animals.

The Commercial Division is headed by Racing Manager – Commercial Mr Adam Fairley.

The role of the Commercial division is to prepare policy on issues such as handicapping, race programming and scheduling, race date allocation and breeding schemes including the day-to-day management of the breeding schemes and the issue and redemption of Breeders Challenge Owners Bonus Scheme Certificates.

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

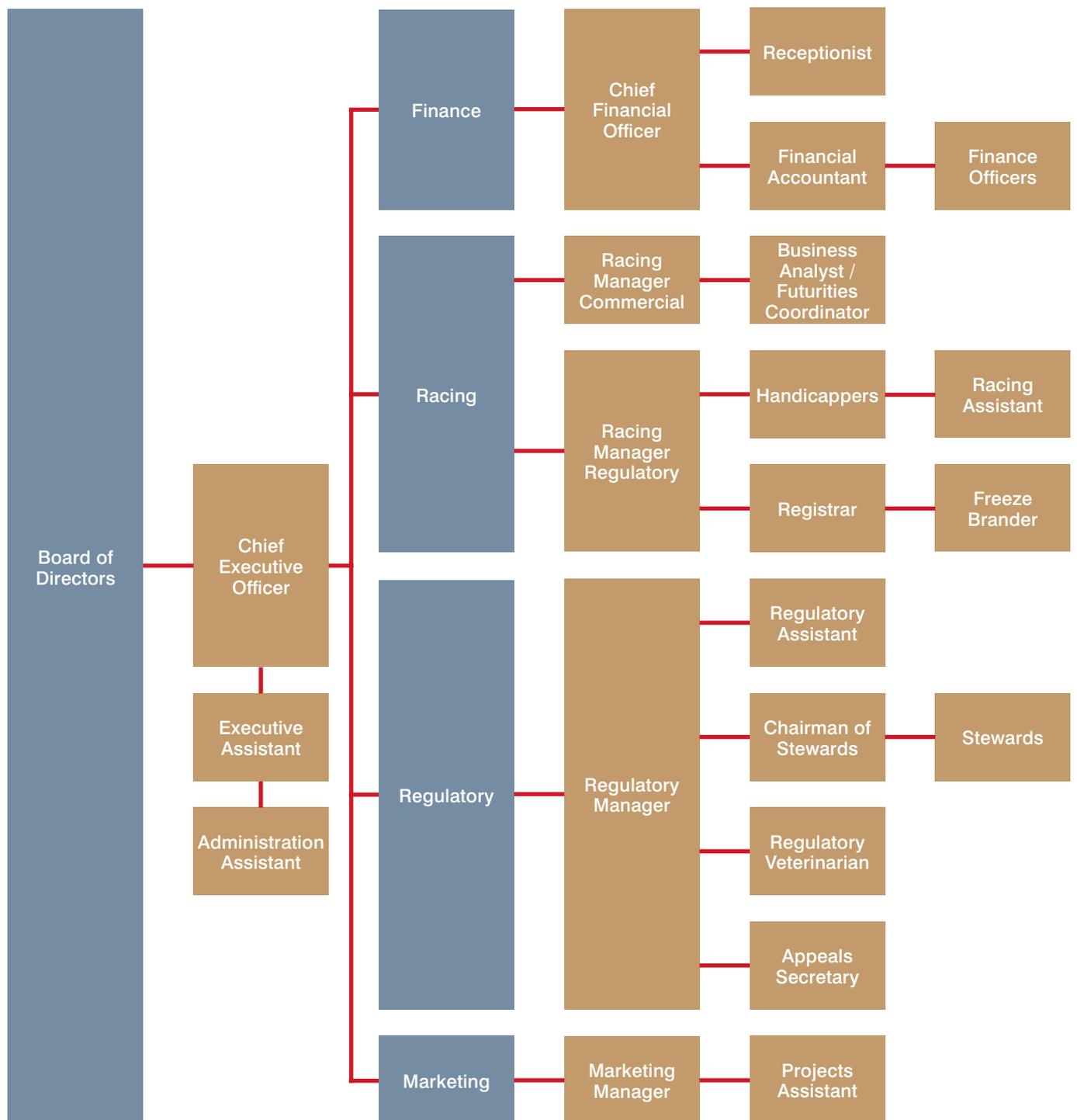
MARKETING

The Marketing Division is headed by Marketing Manager Mr Dale Walker.

The Division is responsible for providing industry marketing, organisation of industry events, sourcing sponsorship as well as the production of The Gazette and Trots TV.



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

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

Representation on the Board is as follows:

- One person nominated by the New South Wales Harness Racing Club 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).



Board Member Chris Edwards (second from right) represented Harness Racing NSW at many country feature meetings throughout the year.

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

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

The term of the current Board is due to expire in February 2012.

THE BOARD

The current Board of Harness Racing NSW took office in February 2008. 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 (Independently Elected Chairman)

Independent Chairman, Graeme Campbell, has firsthand 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.

DIRECTORS

Rex Horne, Les Bentley, Chris Edwards and Rob Nalder – the four industry appointed Directors of Harness Racing NSW – are well known in racing circles and have long associations with metropolitan, TAB and country racing as well as with the owning and breeding segments of the industry.

HORNE, Rex William (New South Wales Harness Racing Club Ltd Nominee)

Mr Horne has been actively involved in harness racing as an enthusiast, owner, club member and administrator for the past 28 years.

A member of the NSW Harness Racing Club Ltd since 1989, he was elected as a Director of the Club in 1999, was Deputy Chairman from 2001 to 2007, and for the past four years has held the position of Chairman.

Mr Horne has represented the Club at the Australian Harness Racing Council and the Inter Dominion Harness Racing Council. He had been an alternate Member to the Board of Harness Racing NSW and RacingCorp and has been the Chairman of the former NSW TAB Clubs Association (now known as the Harness Racing Clubs Committee).

Outside of harness racing Mr Horne is the Managing Director of a property development company.

BENTLEY, Les (TAB Clubs Representative)

Mr Bentley has been involved with the harness racing industry for over 30 years as an owner of Standardbreds. He has been a hobby breeder for 15 years.

Mr Bentley is currently President of the Bankstown Harness Racing Club and previously was Chairman of the Harness Racing Clubs Committee and Treasurer of Bankstown Harness Racing Club.

Professionally Mr Bentley is the owner of a company that supplies goods to the automotive industry.

EDWARDS, Christopher John (Country Clubs Representative)

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.

NALDER, Robert James (Industry Participant Representative)

Mr Nalder has been the owner of racing stock since the early 1980s and has been an owner/breeder of standardbred horses for over 18 years. Mr Nalder has prepared yearlings for sale at the Australian Pacing Gold annual sales.

Mr Nalder has represented Harness Racing NSW at the Inter Dominion Harness Racing Council and was a member of the Harness Racing Australia Breeding Committee.

Mr Nalder is a member of the NSW Standardbred Breeders Association and is a past Secretary of the NSW Chapter of the Association. He has also been a member of the Victorian Harness Breeders Association.

Professionally, Mr Nalder is an owner/director of a transportable building company.

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 11 times. Attendance at meetings was as follows:

Board Member	Meetings eligible to attend	Total Attended
G Campbell	11	11
R Horne	10	10
R Nalder	11	11
L Bentley	11	11
C Edwards	11	11
R Turner	1	1

Mr Turner attended one meeting as the alternate for Mr Horne which means the Principal Club was represented at all 11 normal meetings.



From left: Rex Horne, Rob Nalder, Graeme Campbell, Les Bentley & Chris Edwards

Financial Statements

Harness Racing New South Wales

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Industry Funds

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Racecourse Development Fund

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Harness Racing NSW Financial Statements for the Year ended 30 June 2011

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Members' Report

The Members of Harness Racing New South Wales (HRNSW) present their report for the financial year ended 30 June 2011.

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:

Graeme Campbell - Chairman
Les Bentley
Chris Edwards
Rex Horne
Robert Nalder

MEMBERS MEETINGS

During the Year the members met 11 times. Attendance at meetings was as follows:

Name	Number Attended	Eligible to Attend
G. Campbell	11	11
L Bentley	11	11
C Edwards	11	11
R Horne	10	10
R Nalder	11	11
R Turner	1	1

Mr Turner attended one meeting as the alternate for Mr Horne which means the Principal Club was represented at all 11 normal meetings.

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 \$339,407 (2010: Loss \$1,740,646).

The entity received certain monies from operators under Race Fields legislation. Due to impending appeals to the High Court of Australia on decisions handed down by the full bench of the Federal Court on 17 November 2010 none of this revenue has been brought to account in the financial statements.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the entity during the year.

STAFF

The entity employed thirty four (34) employees as at 30 June 2011 (2010: 32). As at the date of this report the entity had thirty four (34) employees. Two staff are currently on maternity leave.

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:

- the operation of the entity
- the results of these operations
- the state of affairs of the entity, in future years

except that;

- Betfair Pty Ltd and Sportsbet Pty Ltd have been 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 appeal will be heard by the High Court in late August / early September 2011 with a decision expected soon after in November. The decision will have a major impact on HRNSW's future revenue streams.
- On 8 August 2011 HRNSW settled the purchase of two blocks of land at Goulburn NSW for a total purchase price of \$470,000. The land will be used for the development and expansion of the industry in that region.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Members support and have adhered to the principles of good corporate governance.

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.

AUDITOR INDEPENDENCE

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

Signed in accordance with a resolution of the Members at Bankstown, 31st day of August 2011.

Graeme Campbell - Chairman

Robert Nalder - Member

Members' Declaration

The Members of Harness Racing New South Wales (HRNSW) present their declaration for the financial year ended 30 June 2011.

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 2011 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 31 August 2011:

Graeme Campbell - Chairman

Robert Nalder - Member

Lead Auditor's Independence Declaration

To the Members of Harness Racing New South Wales:

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 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: 31 August 2011

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 2011, 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.

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 2011 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
Chartered Accountants

Faizal Ajmat
Partner

Sydney
Dated: 31 August 2011

Statement of Comprehensive Income

for the financial year ended 30 June 2011

	Note	2011 \$	2010 \$
REVENUE from continuing operations			
Product Fee	4(a)	25,830,848	27,395,713
Wagering Incentive Fee	4(a)	7,077,104	6,259,211
Finance Income – Interest Revenue		58,828	42,521
Grants Received - Racecourse Development Fund	4(b)	29,010	-
Grants Received - Industry Funds	4(c)	155,000	155,000
NSW Harness Racing Gazette	4(d)	205,184	194,207
Sponsorship		60,000	127,000
Registration & Licensing Income		901,251	739,271
Stewarding Fees Charged to Clubs		850,000	827,182
Proceeds from Sale of Assets		-	5,682
Other Income	4(e)	68,398	152,946
Additional Race Funding	4(f)	4,025,577	-
Total Revenue		39,261,199	35,898,733
EXPENSES from continuing operations			
HRNSW TAB Distribution:			
to Clubs	5(a)	26,181,715	29,013,674
to Industry Fund	5(b)	2,303,557	2,335,485
to Racecourse Development Fund	5(c)	658,159	666,799
Racefields Funding	4(f)	4,025,577	-
EI funding Carried Forward		-	(603,416)
Repayment of EI Funding	5(d)	70,000	140,000
AHRC Membership Levy		110,178	126,310
Employee Salaries and Related Expenses	5(e)	3,242,926	2,991,756
Members Fees	5(f)	98,292	101,908
NSW Harness Racing Gazette		216,813	215,123
Postage, Printing & Stationery		121,564	131,444
Travel	5(g)	221,705	291,354
Consultancy & Contractors		7,800	-
Occupancy expenses		120,136	156,911
Equipment expenses		31,841	32,508
IT and Communication expenses	5(h)	276,803	279,767
Depreciation expense		181,596	196,302
Insurance		65,731	77,735
Racing Integrity expenses	5(i)	661,427	631,476

EXPENSES from continuing operations (Cont)	Note	2011 \$	2010 \$
Bad debt expense	5(j)	7,829	151,430
Other expenses	5(k)	111,609	100,954
Transfer to Benevolent Fund		13,712	-
Transfer Fine Income to Industry Fund		100,765	-
Total Expenses		38,829,732	37,037,519
(DEFICIT) / SURPLUS FOR THE YEAR		431,467	(1,138,786)
Comprehensive income			
Profit arising from acquisition of GHRRA Business	5(l)	-	512,016
Amalgamation Expenses	5(m)	(92,060)	(1,080,329)
Loss on sale of assets	5(n)	-	(33,547)
Other comprehensive income for the year		(92,060)	(601,861)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		339,407	(1,740,646)

The accompanying notes form part of these financial statements

Statement of Financial Position

As at 30 June 2011

	Note	2011 \$	2010 \$
Assets			
Current Assets			
Cash	6	156,116	861,336
Deposits		195,000	
Trade and Other Receivables	7	13,462,791	9,405,586
Other	8	21,696,315	10,801,268
Total Current Assets		35,510,223	21,068,190
Non-current Assets			
Property, Plant and Equipment	9	1,642,055	1,798,606
Land	10	950,000	950,000
Total Non-Current Assets		2,592,055	2,748,606
Total Assets		38,102,278	23,816,796
Liabilities			
Current Liabilities			
Trade and Other Payables	11	14,143,136	10,316,830
Provision for Employee Benefits	12	513,868	412,119
Other	14	22,048,396	11,855,232
Total Current Liabilities		36,705,400	22,584,180
Non-Current Liabilities			
Trade and Other Payables	15	1,499,041	1,674,185
Total Non-Current Liabilities		1,499,041	1,674,185
Total Liabilities		38,204,441	24,258,366
(DEFICIENCY IN) NET ASSETS		(102,163)	(441,569)
EQUITY			
Accumulated (Deficit)/Surplus		(102,163)	(441,569)
(DEFICIENCY IN) TOTAL EQUITY		(102,163)	(441,569)

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the financial year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash Flows from Operating Activities			
Receipts from Participants and Government Grants		49,872,164	47,838,454
Receipts from Other Operating Income		-	2,195,606
Interest Received		58,828	42,521
Payments to Suppliers, Employees and Participants		(50,148,962)	(50,506,923)
Amalgamation Costs		(92,060)	(1,080,329)
Net Cash used in Operating Activities	20	(310,030)	(1,510,671)
Cash Flows from Investing Activities			
Payments for Property, Plant & Equipment		(25,045)	(78,582)
Investment		(195,000)	-
Net Cash used in Investing Activities		(220,045)	(78,582)
Cash Flows from Financing Activities			
Loan repayment		(175,144)	(166,747)
Net Cash used in Financing Activities		(175,144)	(166,747)
Net Increase/(Decrease) in Cash and Cash Equivalents Held		(705,219)	(1,756,000)
Cash and Cash Equivalents at the Beginning of the year		861,336	2,617,335
Cash and Cash Equivalents at the End of the Year	6	156,116	861,336

The accompanying notes form part of these financial statements

Statement of Changes in Equity for the financial year ended 30 June 2011

	Note	2011 \$	2010 \$
Total equity at the beginning of financial year		(441,569)	803,917
Total comprehensive income		339,407	(1,740,646)
Total recognised income and expense for the year		339,407	(1,740,646)
Net assets of business acquired	21	-	495,159
Total equity at the end of the financial year		(102,163)	(441,569)

The accompanying notes form part of these financial statements

Notes to the Financial Statements

for the financial year ended 30 June 2011

1. THE REPORTING ENTITY

a. Harness Racing New South Wales (HRNSW)

HRNSW is 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.

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

Buildings, Property, plant and equipment are measured at cost except for land as described in Note 10.

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

Buildings	4%
Plant and equipment	10 - 20%
Telecommunications, computers	25 - 33%

e. Revaluation of Non-Current Assets

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

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

f. Loans and Borrowings

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

g. Employee Salaries and Related Expenses

Provision is made for employee entitlement benefits accumulated as a result of an employee service up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at

Notes to the Financial Statements (continued)

their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

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

h. Goods and Services Tax (GST)

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. 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.

j. Comparative Figures

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

k. Revision of Accounting Estimates

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

l. Events Subsequent to Reporting Date

There have been no events subsequent to the reporting date that would materially affect these financial statements except as follows;

- i. Betfair Pty Ltd and Sportsbet Pty Ltd have been 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 appeal will be heard by the High Court in late August / early September 2011 with a decision expected soon after in November. The decision will have a major impact on HRNSW's future revenue streams.

- ii. On 8 August 2011 HRNSW settled the purchase of two blocks of land at Goulburn NSW for a total purchase price of \$470,000. The land will be used for the development and expansion of the industry in that region.

m. New Accounting standards and interpretations

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

o. 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.

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.

4. REVENUE

	2011 \$	2010 \$
a) Product Fee & Wagering Incentive Fee		
HRNSW share of the TAB Distribution is paid by NSW Racing Pty Ltd. HRNSW's percentage share is determined by the Intercode Deed. Product fees (daily and quarterly) are based on wagering turnover (all codes) and Wagering Incentive Fees (WIF) paid half yearly are based on wagering profitability (all codes).	32,907,952	33,654,924
b) Grants Received – Racecourse Development Fund		
Funding of Capital Expenditure	58,828	-
c) Grants Received – Industry Funds		
Centralised Stakes Payment System	135,000	135,000
Sires Stakes Management Fee	20,000	20,000
	155,000	155,000
d) Harness Racing Gazette Income		
Subscriptions	127,182	136,266
Advertising	78,001	57,941
	205,184	194,207
e) Other Income		
Other	54,686	93,848
Benevolent Fund	13,712	59,098
	68,398	152,946
f) Additional Race Funding		
Additional Race Funding	4,025,577	-

The amount represents funding from other sources that have been used to fund races during the 2011 financial year.

The treatment represents a change in accounting policy from the 2010 financial year. The financial effect of the change in policy is an increase in profit for the year for the entity of \$4,025,577.

These funds will be derived from Race Fields monies currently being held in trust or, if the Race Fields decision is lost, will be recovered from other sources to be determined by the board including reduced prize money in the current and future years.

Notes to the Financial Statements (continued)

5. OPERATING EXPENSES

	2011 \$	2010 \$
a) HRNSW TAB Distribution to Clubs		
NSWHRC – Harold Park	11,497,946	11,859,234
NSWHRC – Menangle Park	803,973	1,054,235
Bankstown	722,524	1,056,861
Bathurst	1,989,711	2,278,049
Bulli	728,938	968,788
Dubbo	603,873	605,732
Goulburn	272,708	264,214
Newcastle	3,096,436	3,743,961
Parkes	538,149	561,696
Penrith	2,177,651	2,560,285
Tamworth	837,941	895,395
Wagga Wagga	1,268,075	1,428,719
Young	721,970	724,145
Non-TAB Clubs	921,820	759,960
Carnival of Cups	-	252,400
	26,181,715	29,013,674
b) HRNSW TAB Distribution to Industry funds		
HRNSW is required under the Intracode Agreement to distribute a percentage of its share of the TAB Distribution to Industry Funds for the development and furtherance of the industry of NSW. The amount distributed to Industry Funds is equal to 6% (2010: 6%) of the HRNSW share of the TAB Distribution	1,974,477	2,000,398
Additional Carnival of Cups Levy (1%) (2010: 6%)	329,079	335,087
	2,303,557	2,335,485
c) HRNSW TAB Distribution to Racecourse Development Fund		
HRNSW is required to distribute a percentage (2%) (2010:2%) of its share of the TAB Distribution to the Racecourse Development Fund to fund capital projects approved by HRNSW on behalf of the industry	658,159	666,799
d) Repayment of EI costs		
During the year ended 30 June 2007 the RDF advanced to Harness Racing New South Wales \$210k to cover the costs incurred by HRNSW during the outbreak of equine influenza. The costs are to be recouped over a three year period ending 20 June 2011.	70,000	140,000

	2011 \$	2010 \$
e) Employee Salaries and Related Expenses		
Salaries	2,720,357	2,537,496
Superannuation	245,748	195,287
Payroll Tax	133,392	132,462
Annual and Long Service Leave	101,748	11,777
Workers compensation Insurance	15,697	15,631
Temporary staff and other	25,984	99,103
f) Member Fees	3,242,926	2,991,756
The Members in office during the financial year were:		
Graeme Campbell – Chairman	34,254	36,017
Robert Nalder	14,359	15,109
Rex Horne	14,359	15,109
Les Bentley	16,160	16,901
Chris Edwards	19,160	18,772
	98,292	101,908
No Member of HRNSW is a full-time employee and no Member has received a salary		
g) Travel		
Employees	218,937	285,468
Members	2,768	5,886
	221,705	291,354
h) IT and Communication Expenses		
IT support and software	188,234	153,107
Phone, fax and related expenditure	88,569	126,660
	276,803	279,767
i) Racing Integrity		
Swab Testing and reporting	473,932	368,990
Stewards Inquiries	60,116	136,363
Registration processing	42,941	35,088
Integrity Auditor	20,000	14,299
Freeze Branding	64,438	76,736
	661,427	631,476
j) Bad Debts		
Bad debts written off	9,333	151,430
Movement in provision	(1,504)	-
	7,829	151,430

Notes to the Financial Statements (continued)

	2011 \$	2010 \$
k) Other Expenses		
Bank Charges	19,679	15,435
Legal and audit fees	51,293	47,341
Media & Communications	-	500
Couriers	4,153	3,562
Subscriptions	3,395	4,847
Sponsorship expenses	2,920	11,862
Benevolent Fund Expenses	7,813	1,930
Sundry Expenses	21,356	15,477
	111,609	100,954
l) Profit Arising from Acquisition of Business		
GHRRA Superannuation Liability	-	717,286
Debtors write off	-	(57,020)
Loss on disposal of GHRRA Motor vehicles	-	(147,962)
Loss on disposal of other assets	-	(288)
	-	512,016
m) Amalgamation Expenses		
Retrenchment costs	-	151,502
Unfunded superannuation payment	-	571,666
Transfer to HRNSW sign on bonus	-	256,873
Interest on NSW Government loan	92,060	100,288
	92,060	1,080,329
Amalgamation expenses will be paid from the \$2.0m loan provided to HRNSW by the NSW Government.		
n) Loss on Sale of Assets		
Loss on sale of assets from French Avenue, Bankstown, NSW	-	33,547
	-	33,547
6. CASH	2011	2010
	\$	\$
Cash at bank	155,836	861,056
Cash on hand	280	280
	156,116	861,336

The entity has an overdraft limit of \$250,000 at the bank (2010: \$250,000) – unused at year end.

7. RECEIVABLES	2011	2010
	\$	\$
Trade Debtors	1,073,493	1,523,753
Less: Provision for Doubtful Debts	(39,107)	(40,611)
NSW Racing Pty Limited (TAB Distribution)	8,358,355	7,475,315
Related Party	4,025,576	-
Other Debtors	44,474	177,129
	13,462,791	9,405,586
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.		
8. OTHER	2011	2010
	\$	\$
Racefields Account	21,665,544	10,786,107
Prepayments	29,331	13,721
Funeral Certificates	1,440	1,440
	21,696,315	10,801,268
Racefields Account includes monies received from operators during the year. Due to the impending court action none of this account has been recognised as income.		

Notes to the Financial Statements (continued)

9. PROPERTY, PLANT & EQUIPMENT

	Freehold Land \$	Freehold Buildings \$	Computer Equipment \$	Furniture & Fittings \$	Other Equipment \$	Motor Vehicles \$	Total \$
As at 1 July 2009							
Cost or fair value	-	-	496,995	69,706	96,708	-	663,409
Accumulated depreciation	-	-	(116,383)	(34,714)	29,097	-	(180,194)
Net Book Value	-	-	380,612	34,992	67,611	-	483,215
Year ended 30 June 2010							
Opening Net Book value	-	-	380,612	34,992	67,611	-	483,215
Additions	35,000	4,130	3,687	25,340	10,425	-	78,582
Acquisition of a business	552,012	787,983	150,466	-	219,930	380,063	2,099,454
Depreciation change	(826)	(31,519)	(124,192)	(5,439)	(34,325)	-	(196,301)
Depreciation charge BFwd from acquisition	-	(50,132)	(126,711)	-	(66,613)	(241,101)	(484,557)
Disposals	-	-	(40,534)	(64,222)	(7,155)	(147,962)	(259,873)
Depreciation on disposals	-	-	39,483	33,128	5,519	-	78,085
Closing net book amount	586,186	710,462	282,766	23,800	195,392	-	1,798,606
At 30 June 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 of 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	687,943	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

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.

10. LAND	2011 \$	2010 \$
Black Hill (Beresfield)	950,000	950,000
	950,000	950,000

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

11. PAYABLES	2011 \$	2010 \$
Australian Taxation Office	324,830	-
Prize money Payments	939,410	1,281,795
HRNSW Distribution	8,530,903	5,988,873
Other Creditors	1,876,940	1,281,650
Related parties	2,295,910	1,605,444
Loan – NSW Government	175,143	159,068
	14,143,136	10,316,830

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 ("GHRRRA") and the amalgamation with Harness Racing New South Wales including unfunded Defined Benefit Scheme Superannuation Contributions, unfunded recreation and long service leave, transfer costs for the GHRRRA staff migrating to HRNSW and Redundancy costs.

The loan is for a period of ten years repayable by equal instalments on 30 June each year.

12. PROVISION FOR EMPLOYEE BENEFITS	2011 \$	2010 \$
Annual leave	234,993	197,359
Long service leave	278,875	214,760
	513,868	412,119

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, since HRNSW does not have an unconditional right to defer settlement for any of these obligations.

Notes to the Financial Statements (continued)

13. BENEVOLENT FUND	2011 \$	2010 \$
Interest Earned	10,011	4,424
Revenue (50% of fine income)	13,712	59,098
Less Administration Expenses	(4,944)	(1,930)
Less Disbursements Made	(2,869)	-
Operating Surplus / (Deficiency)	15,910	61,592
Accumulated Surplus – brought forward	184,868	123,277
Accumulated Surplus – carried forward	200,778	184,868
Represented by:		
Cash	6,210	33,417
Investments	195,000	140,330
Loan Receivables	2,805	3,006
Trade Receivables	200	6,675
Transferable Funeral Certificates	1,440	1,440
Payables	(4,877)	-
Net Assets	200,778	184,868

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

14. OTHER	2011 \$	2010 \$
Unearned Race Fields Revenue	22,048,396	11,855,232
	22,048,396	11,855,232

Racefields Account includes monies received from operators during the year. Due to the impending appeal only part of this income has been recognised.

15. NON-CURRENT PAYABLES	2011 \$	2010 \$
Loan – NSW Government	1,499,041	1,674,185
	1,499,041	1,674,185

Refer Note 11 for details of the loan.

16. SUPERANNUATION COMMITMENTS

	SASS 30 June 2011	SANCS 30 June 2011	SSS 30 June 2011	Total 30 June 2011
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	560,140	82,035	0	642,175
Estimated reserve account balance	(590,838)	(93,907)	0	(684,745)
	(30,698)	(11,872)	0	(42,570)
Future service liability (note 1)	(92,757)	(30,192)	0	(122,949)
Surplus in excess of recovery available from schemes	0	0	0	0
Net (asset) / liability to be recognised in statement of financial position	(30,698)	(11,872)	0	(42,570)

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)
- 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 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 beginning of the year	506,587	75,784	0
Current service cost	21,082	3,400	0
Interest cost	25,020	3,693	0
Contributions by Fund participants	10,965	0	0
Actuarial (gains) / losses	17,136	(99)	0
Benefits paid	(20,650)	(744)	0
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	560,140	82,035	0
Reconciliation of the fair value of Fund assets (AASB 119 – paragraph 120 A (e))			
Fair value of Fund assets at the beginning of the year	518,925	83,566	0
Expected return on Fund assets	43,576	6,973	0
Actuarial (gains) / losses	15,450	128	0
Employer contributions	22,572	3,984	0
Contributions by Fund participants	10,965	0	0
Benefits paid	(20,650)	(744)	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	590,838	93,907	0
Reconciliation of the assets and liabilities recognised in the statement of financial position AASB 119 – paragraphs 120 A (d) and (f)			
Present value of partly funded defined benefit obligation at end of the year	560,140	82,035	0
Fair value of Fund assets at end of year	(590,838)	(93,907)	0
Sub Total	(30,698)	(11,872)	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	(30,698)	(11,872)	0

Reconciliation of the present value of the defined benefit obligation (AASB 119 paragraph 120 A (c))	SASS Financial Year to 30 June 2011 \$A	SASS Financial Year to 30 June 2011 \$A	SASS Financial Year to 30 June 2011 \$A
Expense recognised in income statement AASB 119 – paragraph 46 & 120 A (g)			
Components recognised in Income statement			
Current service cost	21,082	3,400	0
Interest cost	25,020	3,693	0
Expected return on Fund assets (net of expenses)	(43,576)	(6,973)	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
Curtailement or settlement (gain) / Loss	0	0	0
Expense / (Income) recognised	2,526	121	0
Amounts recognised in other comprehensive income AASB 119 – paragraph 120 A (h)			
Actuarial (gains) / Losses	1,686	(227)	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.

Fund Assets AASB 119 – paragraph 120 A (j)

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

	30 June 2011
Australian equities	33.4%
Overseas equities	29.5%
Australian Fixed income securities	5.7%
Overseas fixed interest securities	3.1%
Property	9.9%
Cash	5.1%
Other	13.3%

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.

Notes to the Financial Statements (continued)

Actual return on Fund Assets AASB 119 – paragraph 120A (m)	SASS Financial Year to 30 June 2011 \$A	SASS Financial Year to 30 June 2011 \$A	SASS Financial Year to 30 June 2011 \$A
Actuarial return on Fund assets	44,302	7,101	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 2011
Salary rate increase	3.5%
Rate of CPI increase	2.5%
Expected rate of return on assets	8.6%
Discount rate	5.28%

(c) *Demographic assumptions*

The demographic assumptions at 30 June 2011 are those that were used in the 2009 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website.

Historical Information AASB 119 – paragraph 120A (p)	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

Expected contributions AASB 119 – paragraph 120A (q)

	SASS Financial Year to 30 June 2011 \$A	SASS Financial Year to 30 June 2011 \$A	SASS Financial Year to 30 June 2011 \$A
Expected employer contributions to be paid in the next reporting period	20,834	3,735	0

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 2011 \$A	SASS Financial Year to 30 June 2011 \$A	SASS Financial Year to 30 June 2011 \$A
Accrued benefits	522,291	73,266	0
Net market value of Fund assets	(590,838)	(93,907)	0
Net (surplus) / deficit	(68,547)	(20,641)	0

(b) Contribution recommendations

Recommended contribution rates for the entity are:	SASS	SASS	SASS
	1.90	2.50	0

(c) Funding method

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

(d) Economic assumptions

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

	30 June 2011
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

(a) Racefields Revenue and legal expenses

Unearned Revenue of \$22,048,396 presently held in the Racefields bank account (Note 8) is subject to an appeal which will be heard by the High Court of Australia in late August 2011. A decision is expected in November 2011. If the decision is found in favour of HRNSW all or part of the revenues may accrue to HRNSW.

There are no known contingent liabilities other than legal expenses associated with the High Court appeal.

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.

	2011 \$	2010 \$
Commitments for minimum lease payments in relation to Non-cancellable operating leases are payable as follows:		
Within one year	59,200	108,742
Later than one year but not later than two years	21,330	26,514
	80,530	135,256

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. NOTES TO THE STATEMENT OF CASH FLOWS

	2011 \$	2010 \$
Reconciliation of Net Cash from Operating Activities to Surplus/(Deficit) for the Year		
Surplus/(Deficit) for the Year	339,407	(1,740,646)
Depreciation and Amortisation	181,596	196,302
Add Loss on Disposal of Assets	-	33,547
Write off of GHRAA assets not found	-	181,379
Operating Profit before changes in working capital and provisions	521,003	(1,329,419)
Change in Assets and Liabilities		
Change in Trade and Other Receivables	(4,057,205)	2,108,827
Change in Prepayments and Other Assets	(10,895,047)	(5,464,169)
Change in Trade and Other Payables	3,826,307	(3,101,744)
Change in Income Received in Advance	-	(29,884)
Change in Employee Benefits	101,749	(703,109)
Change in Other Liabilities	10,193,164	7,008,826
Net Cash used in Operating Activities	(310,030)	(1,510,671)

21. BUSINESS COMBINATION

On 1 July 2009 HRNSW acquired the net assets of the harness activities previously undertaken by the Greyhound and Harness Racing Regulatory Authority ("GHRRA"). No payment was made to the NSW Government for the value of the net assets because the GHRRA's activities were funded by the industry.

	Fair Value \$
Current Assets	
Cash and cash equivalents	33,128
Trade and other receivables	207,683
Other	7,929
Total current Assets	248,740
Non Current Assets	
Property, Plant & Equipment	1,614,908
Total Non Current Assets	1,614,908
Total Assets	1,863,648
Current Liabilities	
Trade & Other Payables	157,633
Provision for employee benefits	315,350
Total Current Liabilities	472,983
Non Current Liabilities	
Non Interest bearing liabilities	180,619
Provision for employee benefits	714,887
Total Non Current Liabilities	895,506
Total Liabilities	1,368,489
Net Assets	495,159

22. EVENTS OCCURRING AFTER THE REPORTING PERIOD

- i. Betfair Pty Ltd and Sportsbet Pty Ltd have been 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 appeal will be heard by the High Court in late August / early September 2011 with a decision expected soon after in November. The decision will have a major impact on HRNSW's future revenue streams.
- ii. On 8 August 2011 HRNSW settled the purchase of two blocks of land at Goulburn NSW for a total purchase price of \$470,000. The land will be used for the development and expansion of the industry in that region.

END OF AUDITED FINANCIAL STATEMENTS

Harness Racing NSW Industry Funds

Financial Statements for the Year ended 30 June 2011

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Members' Declaration

The Members of Harness Racing New South Wales (HRNSW) Industry Fund present their declaration for the financial year ended 30 June 2011.

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 2011 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 31 August 2011:

Graeme Campbell - Chairman

Robert Nalder - Member

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

Report on the financial report

We have audited the accompanying financial report of Harness Racing NSW Industry Fund (the 'entity') which comprises the statement of financial position as at 30 June 2011, 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 Fund:
 - i gives a true and fair view of the entity's financial position as at 30 June 2011 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
Chartered Accountants

Faizal Ajmat
Partner

Sydney
Dated: 31 August 2011

Statement of Comprehensive Income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
REVENUE from continuing operations			
HRNSW Distribution	3(a)	2,303,563	2,335,485
Foal and Sire Registration Fee		366,126	296,353
Interest Earned		28,740	22,486
Reimbursements from Clubs – Photo Finish expenses		136,442	89,672
Fee Revenue	3(b)	100,765	-
Sponsorship Revenue		102,500	-
Other Income	3(c)	110,714	118,690
TOTAL REVENUE		3,148,849	2,862,686
EXPENSES from continuing operations			
Prize money Subsidies	4(a)	1,050,889	773,289
Breeders' Bonus Incentive Certificates	9	528,615	464,401
Grants and Other subsidies	4(b)	1,091,177	1,247,999
Carnival of Cups	4(c)	455,694	580,139
Management Fee / Bank Charges	4(d)	168,014	157,082
TOTAL REVENUE		3,294,479	3,222,910
(Deficit) / Surplus for the Year		(145,630)	(360,224)
Comprehensive Income:			
Other comprehensive income		-	-
Total comprehensive income for that year		(145,630)	(360,224)

Statement of Changes in Equity for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Total equity at the beginning of financial year		89,423	449,647
Total comprehensive income		(145,630)	(360,224)
Total recognised income and expense for the year		(145,630)	(360,224)
Total equity at the end of the financial year		(56,207)	89,423

The accompanying notes form part of these financial statements

Statement of Financial Position

As at 30 June 2011

	Note	2011 \$	2010 \$
Assets			
Current Assets			
Cash	10(a)	1,101,797	137,802
Receivables	5	1,346,853	1,551,434
Other	6	75,778	53,080
Total Current Assets		2,524,428	1,742,315
Liabilities			
Current Liabilities			
Income Received in Advance	7	237,720	237,720
Payables	8	1,048,588	156,948
Provision of unredeemed Breeders Bonus Incentive Certificates	9	411,113	375,011
Total Current Liabilities		1,697,422	769,679
Non-Current Liabilities			
Income Received in Advance	7	883,213	883,213
Total Non-Current Liabilities		883,213	883,213
Total Liabilities		2,580,635	1,652,892
(DEFICIENCY IN) NET ASSETS		(56,207)	89,423
Equity			
Accumulated (Deficit)/Surplus		(56,207)	89,423
(DEFICIENCY IN) TOTAL EQUITY		(56,207)	89,423

Statement of Cash Flows

for the financial year ended 30 June 2011

	Note	2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Participants and Others		3,657,159	3,444,812
Interest Received		28,740	22,486
Payments to Suppliers and Participants		(2,721,904)	(3,608,807)
Net Cash provided by / (used in) Operating Activities	10(b)	963,995	(158,434)
Net Increase/(Decrease) in Cash Held		963,995	(158,434)
Cash and Cash Equivalents at the Beginning of the year		137,802	296,236
Cash and Cash Equivalents at the End of the Year	10(a)	1,101,797	137,802

The accompanying notes form part of these financial statements

Notes to the Financial Statements

for the financial year ended 30 June 2011

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 Sire Stakes Series and the Breeders' Challenge Series when those foals reach series' competition age. The fees received are treated as Income received in advance (Note 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 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.

Notes to the Financial Statements (continued)

I. 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.

3. REVENUE

	2011 \$	2010 \$
a. HRNSW Distribution		
Funds totalling 6% (2010: 6%) plus \$329,080 (2010: \$335,087) for the Carnival of Cups of the HRNSW share of the TAB Distribution were provided by HRNSW.		
b. Other Income		
Fee Revenue – Fine Income from HRNSW	100,765	-
TOTAL	100,765	-
c. Other Income		
Awards Night	64,227	83,400
Rising Stars	5,000	-
Interdominion Subsidy	38,873	35,290
Other	2,614	-
TOTAL	110,714	118,690

4. EXPENSES

	2011 \$	2010 \$
a. Prize Money Subsidies		
Trotters Foundation Series	8,000	55,600
Nursery Stakes	6,000	18,400
Sire Stakes Series (excluding rugs and trophies)	-	245,684
Breeders Challenge	932,335	450,605
Sky Sprint Series	104,554	92,109
Prize Money Subsidies	-	3,000
TOTAL	1,050,889	865,398
b. Grants and Other Subsidies		
Marketing and Media	30,483	61,064
NSW Mini-Trotting Association	12,941	12,927
Training Centre Funding	116,176	121,485
Breeders Challenge Rugs and Trophies	1,845	44,676
NSW Rising Stars Series	38,175	31,537
Training	-	1,050
Racing Support	152,582	210,349
Sky Media Enhancement Strategy	9,000	6,000
RISE	110,148	120,326
AHRC Levy	229,761	228,593
Inter-Dominion Marketing Campaign	115,366	125,327
Vaccinations / Micro Chipping	-	16,926
Industry Research	33,826	15,456
Industry Associations	8,542	23,846
Sponsorship Expenses	16,296	28,859
Awards Night	85,607	102,471
Photo Finish Expenses	123,184	104,998
Miscellaneous	7,245	3,900
TOTAL	1,091,177	1,155,890
c. Carnival of Cups		
Prize Money and related expenses	455,694	580,139
TOTAL	455,694	580,139

Notes to the Financial Statements (continued)

d. Management Fee

A management fee is paid to HRNSW for the provision of services. Services provided include the administration of the Sires Stakes 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 \$104 (2010: \$82) and audit fees \$13,000 (2010: \$2,000).

5. RECEIVABLES

	2011 \$	2010 \$
HRNSW	1,222,245	213,976
Financial Institutions	-	979
Clubs	50,617	103,572
Other	73,991	85,280
Related Party – Racecourse Development Fund	-	1,147,627
TOTAL	1,346,853	1,551,434

6. ASSETS

Prepayments	44,679	14,060
Other	31,099	39,020
TOTAL	75,778	53,080

7. INCOME RECEIVED IN ADVANCE

Retained from foal and sire registration fees received in advance

Current Liabilities	237,720	237,720
Non-Current Liabilities	883,213	883,213
TOTAL	1,120,933	1,120,933

8. PAYABLES

Payable to Clubs	699,822	-
Related Party - HRNSW	167,712	-
Creditors	181,0540	159,948
TOTAL	1,048,588	156,948

9. 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.

10. NOTES TO THE CASH FLOW STATEMENT

	2011 \$	2010 \$
a) Reconciliation of cash and cash equivalents		
Commonwealth Bank	1,100,784	112,360
ING Bank	1,013	25,442
TOTAL	1,101,797	137,802
b) Reconciliation of Net Cash from Operating Activities to (Deficit) / Surplus for the Year		
(Deficit) / Surplus for the Year	(145,630)	(360,223)
Changes in operating assets and liabilities:		
Change in Receivables	204,580	416,409
Change in Other Assets	(22,698)	(24,396)
Change in Payables	891,640	(264,206)
Change in Unredeemed Bonus Incentive Certificates	36,102	(28,165)
Change in Income Received in Advance	-	102,148
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	963,995	(158,434)

11. FINANCIAL RISK MANAGEMENT

Overview

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

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

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 NSW Racecourse Development Fund Financial Statements for the Year ended 30 June 2011

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Members' Declaration

The Members of Harness Racing New South Wales (HRNSW) Racecourse Development Fund present their declaration for the Harness Racing Racecourse Development Fund for the financial year ended 30 June 2011.

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 2011 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 31 August 2011:

Graeme Campbell - Chairman

Robert Nalder - Member

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

Report on the financial report

We have audited the accompanying financial report of Harness Racing NSW Racecourse Development Fund (the 'entity') which comprises the statement of financial position as at 30 June 2011, 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 31 August 2011, 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 2011 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
Chartered Accountants

Faizal Ajmat
Partner

Sydney
Dated: 31 August 2011

Statement of Comprehensive Income for the financial year ended 30 June 2011

	Note	2011 \$	2010 \$
REVENUE from continuing operations			
HRNSW Distribution	3(a)	658,159	666,799
Interest Earned		20,801	46,880
IE Cost Recovery	3(b)	70,000	140,000
Other Income	3(c)	350,000	143,287
TOTAL REVENUE		1,098,960	996,966
EXPENSES from continuing operations			
Administration Expenses		5,577	4,071
Grants Made	4(a)	55,976	100,043
Tamworth Track Expenses		109,825	-
Legal Expenses		100,580	259,923
Video Production Subsidy	4(b)	1,130,165	1,147,627
Refund to State Government	4(c)	190,175	-
Other Expenses		17,488	
TOTAL REVENUE		1,609,786	1,511,664
(Deficit) / Surplus for the Year		(510,826)	(514,698)
Comprehensive Income:		-	-
Other comprehensive income		-	-
Total comprehensive (deficit) / income for that year		(510,826)	(514,698)

The accompanying notes form part of these financial statements

Statement of Changes in Equity for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Total equity at the beginning of financial year		2,736,638	3,251,336
Total comprehensive (deficit) / income		(510,826)	(514,698)
Total equity at the end of the financial year		2,225,812	2,736,638

The accompanying notes form part of these financial statements

Statement of Financial Position

As at 30 June 2011

	Note	2011 \$	2010 \$
ASSETS			
Current Assets			
Cash and Cash Equivalents	10(b)	902,849	124,244
Deposits	11	267,852	260,000
Loan Receivables	5	705,000	32,390
Receivables	6	339,808	1,441,042
Total Current Assets		2,215,509	1,857,676
Non-current Assets			
Loan Receivables	5	368,024	2,044,342
Property, Plant and Equipment		-	12,835
Total Non-Current Assets		368,024	2,057,177
TOTAL ASSETS		2,583,533	3,914,853
LIABILITIES			
Current liabilities			
Payables	7	357,721	1,178,215
Total Current Liabilities		357,721	1,178,215
TOTAL LIABILITIES		357,721	1,178,215
NET ASSETS		2,225,812	2,736,638
EQUITY			
Accumulated Surplus		2,225,812	2,736,638
TOTAL EQUITY		2,225,812	2,736,638

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the financial year ended 30 June 2011

	Note	2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from HRNSW, Participants and Others		2,397,331	131,429
Interest on investments and bank account		20,801	46,880
Payments to Suppliers and Participants		(2,648,219)	(1,133,074)
Net Cash used in Operating Activities	10(a)	(230,086)	(954,765)
CASH FLOWS FROM LENDING ACTIVITIES			
Loans repaid – receipts		1,003,708	61,972
Loans made (payments)		-	(2,597)-
Net Cash provided by Lending Activities		1,003,708	59,375
CASH FLOWS FROM INVESTING ACTIVITIES			
(Payments for) / Proceeds from investments		(7,852)	935,192
Acquisition of Property, Plant and Equipment			(12,835)-
Proceeds from Transfer of Property		12,835	-
Net Cash provided by Investing Activities		4,983	922,357
Net Increase/(Decrease) in Cash and Cash Equivalents Held		778,605	26,967
Cash and Cash Equivalents at the Beginning of the Year		124,244	97,277
Cash and Cash Equivalents at the End of the Year	10(b)	902,849	124,244

The accompanying notes form part of these financial statements

Notes to the Financial Statements

for the financial year ended 30 June 2011

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. 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:

- i. The club/association carries out its activities in such a manner as to jeopardise its financial position or;
- ii. 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.

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 the NSW Treasury Corporation and the Commonwealth Bank of Australia.

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.

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.

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 31 August 2011.

b. Basis of Measurement

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

c. Functional and Presentation Currency

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

d. Use of Estimates and Judgements

The preparation of financial statements requires management

Notes to the Financial Statements (continued)

3. OPERATING INCOME

	2011 \$	2010 \$
a. HRNSW Distribution		
Funds totalling 2% (2010: 2%) of the TAB Distribution were provided by HRNSW.		
b. EI Cost Recovery		
Repayment of funds advanced to HRNSW during the EI period	70,000	140,000
TOTAL	70,000	140,000
The 2011 receipt represents the final repayment from HRNSW.		
c. Other Income		
Proceeds from sale of motor vehicles	-	121,682
Prize money refunds from clubs for races not conducted	50,000	-
Grant from NSW Government for Tamworth Project	300,000	-
Other	-	31,605
TOTAL	350,000	143,287

4. EXPENSES

a. Grants Made		
Grants – Clubs	26,966	100,043
Grants – HRNSW for Equipment	13,045	-
Grants – HRNSW – For Goulburn Land	15,965	-
TOTAL	55,976	100,043
b. Sky Video Production Subsidy		
Video Production Subsidy	1,130,165	1,147,627
TOTAL	1,130,165	1,147,627
c. Refund to State Government		
The subsidy will be recovered from future Racefields receipts.		
Potential Refund to NSW State Government	190,175	-
TOTAL	190,175	-

Accrual of potential refund to NSW State Government if Tamworth showground is purchased rather than developing a harness track at the proposed new site. Amount represents grant of \$300,000 less expenses incurred to date.

5. LOANS RECEIVABLE

	2011 \$	2010 \$
Balance at the Beginning of the Year	2,076,733	2,136,108
Loans Made During the Year	1,291	2,597
Loans repaid During the Year	(1,005,000)	(61,972)
Balance at the End of the Year	1,073,024	2,076,733
Of Which		
Balance Owing Due Within One Year	705,000	32,390
Balance Owing Due Longer than One Year	368,024	2,044,343
Balance at the End of the Year	1,073,024	2,076,733

6. RECEIVABLES

HRNSW Other	250,013	1,253,280
HRNSW Loan Repayment	70,000	140,000
Interest Accrued on Bank and Investments	-	10,479
Other	19,795	37,283
TOTAL	339,808	1,441,042

7. PAYABLES

HRNSW - IT Expenditure	14,349	-
Related Party – Harness Racing Industry Funds	-	1,147,627
Other	343,372	30,587
TOTAL	357,721	1,178,214

8. CONTINGENT LIABILITIES & COMMITMENTS FOR EXPENDITURE

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

9. CONTINGENT ASSETS

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:

	2011 \$	2010 \$
Carried Forward from previous year	49,923,756	49,865,167
IFIL made between 1 July 2010 and 30 June 2011	-	58,589
TOTAL	49,923,756	49,923,756

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.

Notes to the Financial Statements (continued)

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.

During the year ended 30 June 2006 the RDF advanced to Harness Racing NSW \$1.038 million in consultation with and agreement of the Harness Racing Clubs Committee to top up the distribution for that year.

The Board of Harness Racing NSW repaid this advance from future TAB distributions without adversely affecting existing prize money levels. This had been treated as a contingent asset as the repayment of the advance was dependent upon sufficient improvement of the TAB distribution. During the year ended 30 June 2010 the last remaining portion of that contingent asset \$381,000 was repaid by Harness Racing NSW.

10. NOTES TO THE STATEMENT OF CASH FLOWS

	2011 \$	2010 \$
a) Reconciliation of Net Cash from Operating Activities to (Deficit) / Surplus for the Year		
Deficit for the Year	(510,826)	(514,698)
Changes in Assets and Liabilities	-	-
Changes in Receivables	1,101,233	(830,606)
Changes in Payables	(820,493)	390,539
Net Cash used in Operating Activities	(230,086)	(954,765)
b) Cash and Cash Equivalents including the following:		
Cash at Bank	902,849	124,244
TOTAL	902,849	124,244

11. DEPOSITS

	2011 \$	2010 \$
Commonwealth Bank of Australia	267,852	260,000
TOTAL	267,852	260,000

12. FINANCIAL ASSISTANCE PAYMENTS & COMMITMENTS OUTSTANDING

Club	Project	Commitment B/Forward from 30/6/2010 \$	Funding Withdrawn / Not Used	Funding approved 2010/11 \$	Payments Made 2010/11 \$	Commitment remaining 30/6/2011 \$
Albury	Erect new tower and electrical works	-	-	4,700	4,700	-
Blayney	Purchase new water tank	-	-	2,400	2,400	-
Cessnock	Track repairs	-	-	3,296	3,296	-
Narrabri	Lighting	-	-	10,000	10,000	-
Young	Repair lighting affected by floods	-	-	6,570	6,570	-
		-	-	26,966	26,966	-

Club	Project	Commitment B/Forward from 30/6/2010 \$	Funding Withdrawn / Not Used	Funding approved 2010/11 \$	Payments Made 2010/11 \$	Commitment remaining 30/6/2011 \$
Assistance for projects \$50,000 and over						
Projects	Interest free Interminable Loans	-	-	-	-	-
	Grants	-	-	-	-	-
		-	-	-	-	-
Assistance for projects under \$50,000						
Projects	Interest free Interminable Loans	-	-	-	-	-
	Grants	-	-	26,966	26,966	-
Assistance all Projects		-	-	26,966	26,966	-

Notes to the Financial Statements (continued)

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



