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HARNESS RACING NSW
2007 ANNUAL REPORT

DRIVING OUR INDUSTRY ON



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MISSION

To develop a commercially sustainable and vigorous harness racing industry marked by high participation rates across all segments, a commitment to maximise returns to stakeholders and ongoing growth in wagering turnover.

OBJECTIVES

- To provide commercial and strategic leadership to the industry to ensure that the efforts of stakeholders realise maximum benefits that contribute to the overall achievement of a vibrant and sustainable industry.
- To provide a professional, highly-motivated and responsive administration readily accessible to all stakeholders which is focused on delivering innovative, high quality services to the industry in an efficient and cost-effective manner.
- To promote the further development of racing product that maintains harness racing's position as a leading racing code as well as meeting the industry's obligations to its business partners.
- To promote an open, transparent industry environment marked by high levels of consultation and accessibility in which all stakeholders can contribute on all aspects of the governance and development of the industry.
- To progressively undertake sensible, commercially-justifiable infrastructure development across the State to ensure that stakeholders have access to modern tracks and facilities.

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CHAIRMAN'S MESSAGE

At the time of writing the racing industries in New South Wales are facing great adversity due to the equine influenza virus crisis.

The announcement of the \$100 million Federal Government Assistance Package is both timely and of an amount which will be of real benefit. To this end the Federal Government should be roundly commended.

In terms of the State Government, the appointment of Graeme West as Minister for Gaming and Racing may well turn out to be an inspired choice by the lemma Government. Minister West has quickly come to terms with the issues facing our industry and has shown that he is prepared to make hard decisions within his portfolio if and when they are warranted. This has been best illustrated by the transfer of control of the Beresfield land to the Commercial Board for the benefit of Harness Racing in the Hunter region and the review of the GHRRRA funding. However, the challenge in my view will be whether the Minister can deliver necessary taxation reform in order that our industry can sustain itself and make it economically viable for our participants. Progress on the Racefields Legislation and Distribution take out rates are a good start but in isolation falls well short of income requirements to rebuild our industry.

Harness Racing NSW has worked hard to understand and assist with the challenges facing our Racing Clubs. In the main we have a very good relationship with them, and we are generally very pleased with the manner in which they conduct their businesses. The success of the Carnival of Cups Series has highlighted the work undertaken by the Committees within the Clubs which hosted the programs. Apart from the financial uplift to the industry generated from new sponsorship, the work of our Committees and volunteers has been very significant and they should be congratulated. The Carnival of Cups initiative is one which I think will continue to grow as the concept has been warmly embraced by all participants.

HRNSW has worked very closely with the Principal Club (Harold Park) on a range of issues including the development of Menangle Park and possible sale of Harold Park. Both of these issues are extremely important for the future of Harness Racing in New South Wales. The industry eagerly awaits the completion of Menangle which is scheduled for April 2008. Menangle promises not only to potentially be the best racing tack in the southern hemisphere but also provides a unique opportunity for the industry to establish a training centre. This in my view will make available significant opportunities for existing and new participants to train from this venue on a cost-effective basis.

The question of the possible sale of Harold Park is one of such significance to the future of Harness Racing in NSW that the Board of HRNSW has agreed to jointly fund a study with the NSWHRRC into the business and economic evaluation of such a move. Any decision to sell Harold Park will be subject to the approval of Harold Park members but a positive outcome would:-

- (a) Result in the repayment of in excess of \$25 million in RDF loans. This would enable HRNSW to properly invest in the training centre at Menangle Park and strategically upgrade racing facilities and tracks throughout the State. Interest from residual funds could be directed to increasing prizemoney, and
- (b) The Principal Club would be able to complete the redevelopment of Menangle Park in terms of grandstands, Licensed Club etc and further allow them to upgrade prizemoney from interest earned on the surplus funds.



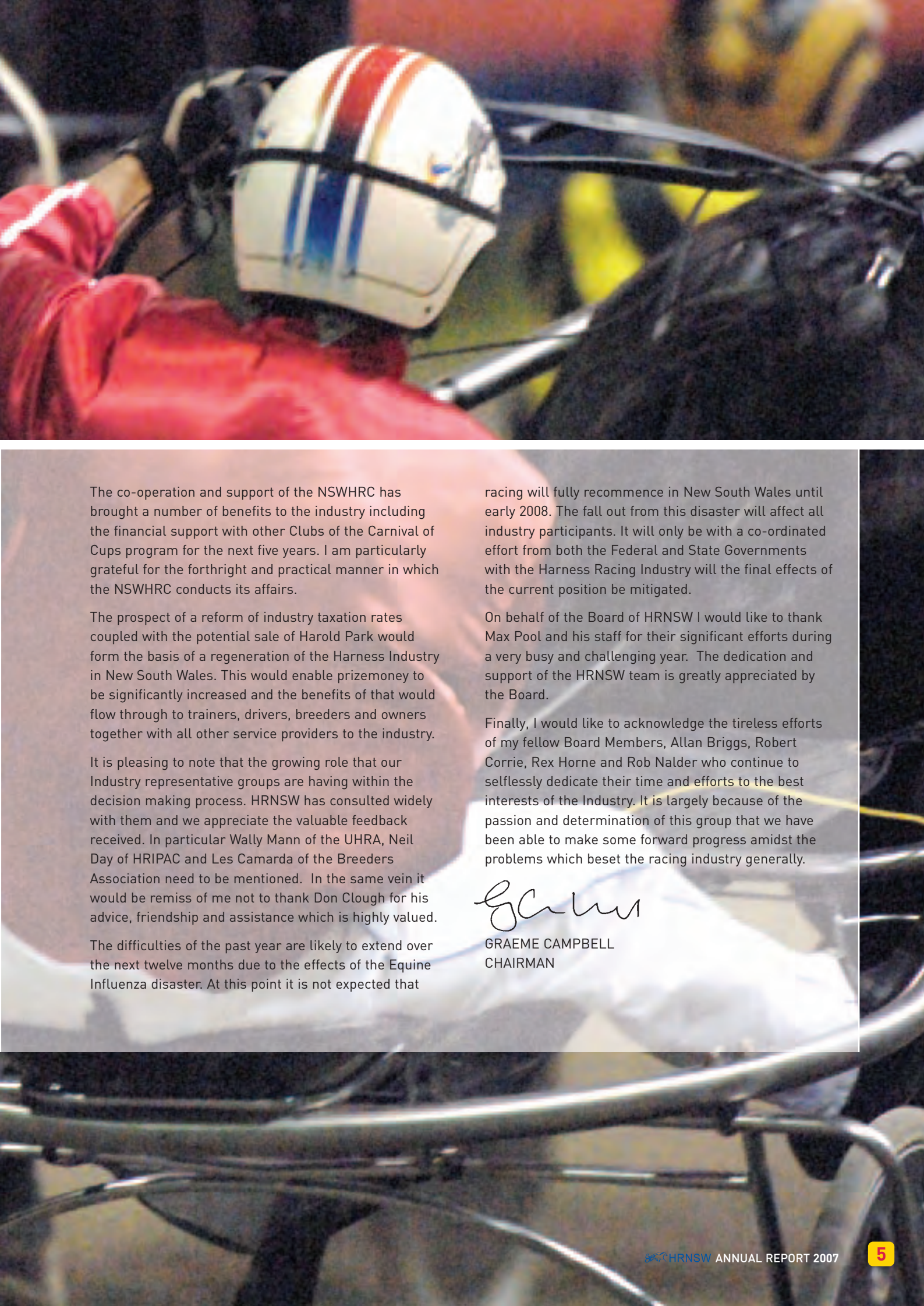
“The co-operation and support of the NSWHRC has brought a number of benefits to the industry including the financial support with other Clubs of the Carnival of Cups program for the next five years.”

Graeme Campbell,
Chairman HRNSW





“The difficulties of the past year are likely to extend over the next twelve months due to the effects of the Equine Influenza disaster. At this point it is not expected that racing will fully recommence in New South Wales until early 2008.”



The co-operation and support of the NSWHR has brought a number of benefits to the industry including the financial support with other Clubs of the Carnival of Cups program for the next five years. I am particularly grateful for the forthright and practical manner in which the NSWHR conducts its affairs.

The prospect of a reform of industry taxation rates coupled with the potential sale of Harold Park would form the basis of a regeneration of the Harness Industry in New South Wales. This would enable prizemoney to be significantly increased and the benefits of that would flow through to trainers, drivers, breeders and owners together with all other service providers to the industry.

It is pleasing to note that the growing role that our Industry representative groups are having within the decision making process. HRNSW has consulted widely with them and we appreciate the valuable feedback received. In particular Wally Mann of the UHRA, Neil Day of HRIPAC and Les Camarda of the Breeders Association need to be mentioned. In the same vein it would be remiss of me not to thank Don Clough for his advice, friendship and assistance which is highly valued.

The difficulties of the past year are likely to extend over the next twelve months due to the effects of the Equine Influenza disaster. At this point it is not expected that

racing will fully recommence in New South Wales until early 2008. The fall out from this disaster will affect all industry participants. It will only be with a co-ordinated effort from both the Federal and State Governments with the Harness Racing Industry will the final effects of the current position be mitigated.

On behalf of the Board of HRNSW I would like to thank Max Pool and his staff for their significant efforts during a very busy and challenging year. The dedication and support of the HRNSW team is greatly appreciated by the Board.

Finally, I would like to acknowledge the tireless efforts of my fellow Board Members, Allan Briggs, Robert Corrie, Rex Horne and Rob Nalder who continue to selflessly dedicate their time and efforts to the best interests of the Industry. It is largely because of the passion and determination of this group that we have been able to make some forward progress amidst the problems which beset the racing industry generally.

GRAEME CAMPBELL
CHAIRMAN



CHIEF EXECUTIVE'S MESSAGE

HRNSW conducts its business based on guiding principles of innovation, professionalism, transparency and, above all, putting industry interests first.

These principles and values have shaped both the manner in which we have responded to the challenges of the past year, as well as our ongoing efforts on behalf of stakeholders to position the industry for further success and growth.

The 2007 year got underway with high hopes for favourable business conditions that would put turnover and the TAB Distribution back on the road to better than just organic growth.

Unfortunately, those hopes did not fully materialise as ongoing issues with pooling approvals, the continued impact of betting exchanges and increased competition from other forms of entertainment dampened the rate of anticipated recovery.

Despite this I am pleased to report that the industry received close to an additional \$900,000 in Distribution on the 2006 result resulting in the restoration of the pre-TVN Dispute funding position.

The continued diligent execution of prudent financial strategies enabled HRNSW to produce a third consecutive positive financial outcome with the return for 2007 of a \$17,000 surplus on operating budget before adjustment for extraordinary items and growth in industry funds retained earnings of \$117,000.

Internal savings and a reallocation of funding priorities during the year also enabled us to increase funding to the industry by around \$1.5M, mostly in the form of Carnival of Cups prizemoney and State Bred Bonus Scheme certificates.

Having established a notably sounder and better balanced financial structure, we expect to drive further reductions in industry costs and improve overall returns as we continue to focus on our core strengths and the bottom line.

I would like to share a few key business highlights of the year from each operational area to give you a feel for what we do and where we are headed.

On the racing operations front, our ongoing reviews of handicapping and programming policy, and the establishment of stakeholders' committees to oversee the process have led to the trial and adoption of innovative practices designed to improve the quality of racing for participant and punter alike.

We applied the same consultative and inclusive approach to the long overdue revision of the breeding schemes which in their soon to be implemented final form have the very real potential to revitalise the NSW breeding industry.

During the year we also revised the policy for use of the Racecourse Development Fund and, with an eye to the longer term, we commissioned expert surveys of all TAB tracks to ascertain their potential for redevelopment to meet the needs of modern racing.

Our promotions and marketing efforts targeted building better relationships with clubs and the media to raise industry's profile using the redeveloped Rising Stars Series and Carnival of Cups as primary platforms.

The extensive media coverage received for both Series and resulting high brand recognition provide a sound basis for future expansion of industry promotion and marketing activities beyond our traditional spheres of operation.

Similarly the relaunch of a new format Gazette on a new business model and the establishment of an e-channel through the HRNSW website will return our publication mechanisms to an at least break-even basis while providing modern, attractive communication outlets.



“We commissioned expert surveys of all TAB tracks to ascertain their potential for redevelopment to meet the needs of modern racing.”

Max Pool,
Chief Executive HRNSW



Administratively we delivered targeted dollar savings to the industry through renegotiation of commercial agreements and the pursuit of increased efficiencies in our operations.

Our budget preparation, forecasting and management models were taken to a new level of sophistication that provided greater transparency to clubs while simplifying communication and understanding.

We have, however, been held back in some areas of our administrative operations by the aged technology underlying some of our more important systems.

While we are actively engaged in overcoming this issue, we encountered problems that regrettably impacted on our levels of customer service, and we would hope that the combination of counter-measures introduced will minimise the likelihood of faults occurring while we work on permanent solutions.

Given the potential and likely challenges ahead of us, we have adopted a three-point business strategy for 2008 that will focus on financial management, innovation and solution creation, and building on current achievements.

First and foremost, as always, we are focusing on responsible financial management.

The industry must strive to grow by continuing to learn to live within its ability to acquire funding from both the Distribution and other sources.

As we work to survive in today's tough operating environment and secure a solid revenue base to finance growth in tomorrow's strategic business fields, we will be putting top priority on curbing all non-essential, non-urgent expenditure, trimming operating expenses, boosting efficiency and obtaining the maximum commercial return from industry assets.

CHIEF EXECUTIVE'S MESSAGE



Second, we are going to accelerate the pace at which we innovate and create solutions.

In the past, we have relied on a conservative approach within traditional boundaries to drive product and service innovation.

This year, we are going to take those efforts to the next level by exploring more adventurous, unconventional paths including new business partners, techniques and channels to pave the way for innovative solutions.

We have already commenced this process with several of our leading clubs to uncover untapped markets and identify suitable means to sell a combined racing/entertainment experience.

Third and finally, we are going to continue to build on the achievements of 2007.

The successful Carnival of Cups and Rising Stars Series will be expanded through increased investment, improved coordination of effort and wider promotion.

Our recently announced funding increases and, finalisation of the revision commenced in 2007 of the terms and conditions of the code's breeding schemes will stimulate interest in owning and racing standardbreds in NSW.

In conjunction with our clubs we will continue to examine the possibilities and opportunities for developing our tracks and other racing infrastructure, and with the Principal Club look to ensure that the maximum benefit is derived from the exciting Menangle Park project.

Above and beyond the three strategies just mentioned, we will also be hard at work implementing best practices in administration, promotions, marketing, accounting and participant relations as we work to

eliminate unproductive administrative processes and practices that impede our ability to improve services to clubs and participants.

We also plan to complete the implementation and launch of the replacement finance system and associated customer-focused technology that we have been working on since late 2007 which will pave the way for dramatic improvements in stability, efficiency, and performance.

Our optimistic view of the future has, however, been tempered by the dramatic impact of the outbreak of equine influenza in NSW and Queensland. While our immediate focus is on working with the relevant authorities to contain the further spread of EI, we are also aware that it will take time and considerable effort to rebuild the industry in the aftermath of EI.

In this respect HRNSW will commit its resources and capabilities to ensuring adequate compensation for the harness racing industry as well as the development and implementation of plans for regeneration and growth.

There will be much to do over the next few years to redress the harsh impact of EI on our racing, breeding and participants. The industry can rest assured that HRNSW will be at the forefront of recovery efforts, rebuilding and leading the industry towards stability, sustainability and profitability.

A handwritten signature in black ink, appearing to read 'Max Pool'.

MAX POOL
CHIEF EXECUTIVE OFFICER



The 2007 Rising Stars Series was conducted by an outstanding group of young drivers

“There will be much to do over the next few years to redress the harsh impact of EI on our racing, breeding and participants. The industry can rest assured that HRNSW will be at the forefront of recovery efforts, rebuilding and leading the industry towards stability, sustainability and profitability”



CHIEF FINANCIAL OFFICER'S REPORT

2007 was an extremely successful year for HRNSW. We attribute our achievements to our low risk, high return approach to industry funding arrangements, openness and transparency in our financial arrangements with clubs, a commitment to finding permanent rather than temporary solutions to problems.

In 2007 we delivered in real terms a surplus to operating budget of \$17,000 though this is not readily apparent in our financial statements due to accounting adjustments associated with the sale of the NSW share of the Racing Information Services Enterprise joint venture and subsequent distribution of the sale proceeds to Industry Funds and the Racecourse Development Fund.

The termination of the joint venture agreement produced a cash benefit of \$500,000 to the NSW industry, and a profit on sale of \$131,000. The Board resolved to distribute the sale proceeds to Industry Funds and the RDF which resulted in an accounting loss of \$369,000. This is offset by the profit of \$391,000 we booked in 2006 when the joint venture asset was transferred from the GHRRA.

Funding to clubs improved on the 2006 position with \$26.3M from the Distribution being directed towards increased prizemoney funding and contribution to club administrative expenses.

Renegotiation of commercial agreements and internal efficiencies produced a further \$140,000 in savings, the majority of which was invested in the inaugural Carnival of Cups Series and the State Bred Bonus Scheme with the former being instrumental to HRNSW's plan to distribute increased funding to country racing.

Changes to the management of the Industry Funds also delivered benefits in 2007 resulting in a \$117,000 increase in retained earnings.

The establishment of a fixed annual budget for the State Bred Bonus Scheme, commencement of the phasing out of prizemoney subsidies and the complete overhaul of the breeding schemes financial arrangements have provided a more realistic basis for the use of the Fund

that will go a long way towards ensuring its sustainability into the future.

Expenditure from the Racecourse Development Fund for capital works increased on 2006 levels following Board approval of an initial heavy equipment replacement program for clubs and tracks improvement works at Bathurst, Newcastle and Penrith.

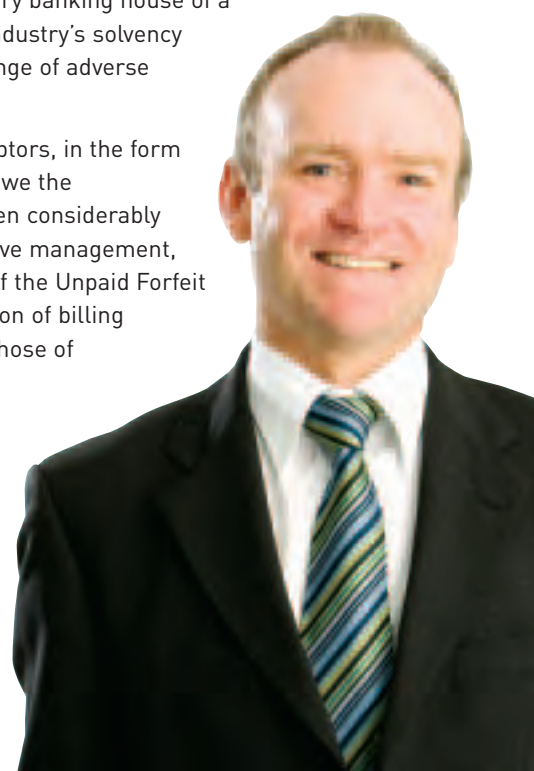
The moderate and carefully considered level of expenditure notwithstanding, the rate of replenishment of the RDF compared to all annual industry capital funding expenditure continues to place significant constraints on the industry's ability to self-fund major capital works projects in the foreseeable future.

Total cash reserves, including the RDF, stand at \$3.2 million, the majority of which is spread across three secure cash management accounts with NSW Treasury Corporation.

In addition to this HRNSW has a secure overdraft facility with its primary banking house of a level to ensure the industry's solvency across the widest range of adverse scenarios.

HRNSW's level of debtors, in the form of participants who owe the organisation, has been considerably reduced through active management, use of the sanction of the Unpaid Forfeit List and harmonisation of billing arrangements with those of the GHRRA.

Tim Vial,
Chief Financial Officer
HRNSW





“Total cash reserves, including the RDF, stand at \$3.2 million, the majority of which is spread across three secure cash management accounts with NSW Treasury Corporation.”

Club debt to the RDF has been the focus of increased attention with the few outstanding repayable loans being renegotiated during 2007 to new terms that will ensure regular repayment to clearance within the next three years without jeopardising club operations.

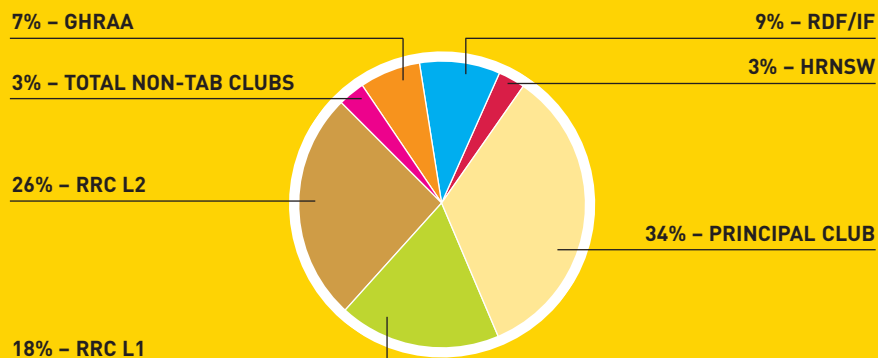
Having declared an operating budget for 2008 that is unchanged from 2007 as well as targeted savings of \$185,000, HRNSW's financial strategies will again concentrate on obtaining efficiencies through reformed administrative and commercial arrangements.

Our track record to date in reducing our cost structure, improving our performance based on lessons learned and expanding our range of services and programmes gives us every reason to be confident that we are on track to another successful year in 2008.

TIM VIAL
CHIEF FINANCIAL OFFICER



TAB DISTRIBUTION FY2007



INDUSTRY FUNDING & TURNOVER

The outcome for 2007 was unusual in that while the level of total funding to the racing industry increased, harness racing turnover continued to decrease though the fall was not as dramatic as experienced in 2006 during the height of the TVN Dispute.

Fees received by the NSW Racing Industry (thoroughbreds, harness and greyhounds) from Tabcorp increased by \$6M to a total of \$221M.

In real terms the additional funding was no better than the increase in CPI however this needs to be taken in context with last year's result.

As such the 2007 result confirms that recovery from the TVN Dispute funding collapse is well underway.

The recovery is being driven primarily by improved thoroughbred performance and contributions from increased international product as harness racing turnover performance, while showing an improvement on the previous year, continued to be weak.

Harness racing turnover for the year declined by \$6M to \$215M with the NSWHR (Harold Park) being affected

the most by the impact of corporate bookmakers, Betfair and other sporting events on Friday night betting levels.

Oncourse turnover remained stable at \$16M with a marginal decrease of 0.6% on 2006. Offcourse turnover for the year decreased by 2.9% to \$199M, representing a total loss of \$21M when compared to the pre-TVN Dispute results.

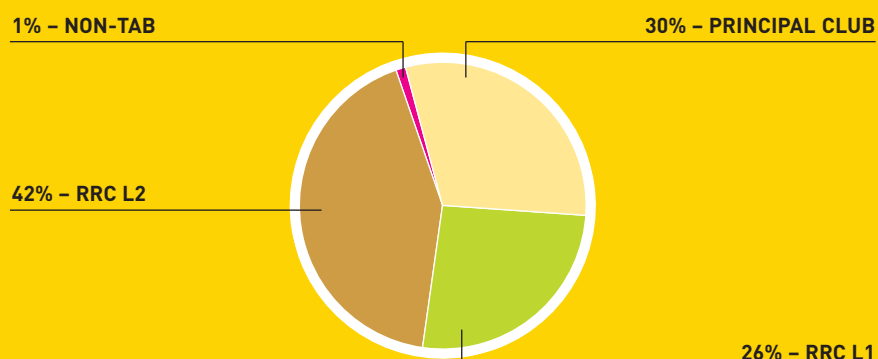
The soft turnover results for 2007 need to be understood in the context of HRNSW's broader view of commercial returns to the industry and its associated strategies.

First and foremost HRNSW scheduled the same number of race meetings in 2007 as it has for the past four years compared to increases by the other racing codes.

Increasing the number of races conducted to maintain and/or increase turnover was not adopted on the basis that it would dilute prizemoney levels with a resultant reduction in commercial returns to participants.

Considerable effort was instead expended in the areas of race programming and scheduling to make our racing product more attractive to punters.

TAB TURNOVER BY CLUB FY2007





(L-R) Tim Vial, Olivera Aceski and Matthew Ettenhofer form the core of HRNSW's Financial unit

This strategy adopts a longer term view of the road to turnover recovery, which while important, needs to be balanced against the requirement to protect the commercial viability of participants through maintaining prizemoney levels and overall opportunities to race.

Going forward HRNSW in conjunction with clubs will continue to explore all reasonable avenues to improve harness racing turnover performance without compromising the underlying objective of ensuring participant sustainability.

The future in this respect is decidedly more optimistic in light of progress with the Menangle Park development and the opportunity to access alternative sources of income through the realisation of a commercial benefit on the Beresfield Land, responsibility for which was transferred from the GHRRRA to HRNSW during 2007.

When racing Menangle Park is expected over time to produce a positive impact on turnover by virtue of more competitive racing on the larger track and its proximity to a large horse population which should ensure fuller fields.

Realisation of a commercial benefit on the Beresfield Land located near Newcastle, the proceeds of which are restricted to use in the Hunter Valley, also offers great promise by providing a source of income separate from the TAB Distribution that will enable infrastructure and racing developments to be pursued that should also stimulate turnover.

CLUB & ADMINISTRATIVE FUNDING

HRNSW 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 Funds) and capital works (Racecourse Development Fund), and funding of controlling body (HRNSW and the GHRRRA) operating costs.

Funds received from Tabcorp, commonly referred to as the TAB Distribution, are allocated annually by HRNSW according to the provisions of the *Intracode Agreement 2002* negotiated between HRNSW and clubs, and operating budgets prepared by the Controlling Bodies.

The TAB Distribution for 2007 amounted to \$32.2M, an increase of \$900,000 (2.9%) on funding received in 2006.



Mini-trotting remains a popular pastime for children and an important breeding ground for future star drivers



In accordance with the *Harness Racing Act 2002* and the *Intracode Agreement*, a series of provisions were made 'off-the-top' of the Distribution before determination of allocations to clubs.

\$2.5M was allocated from the Distribution to fund the annual increases in the Industry Funds (\$1.9M) and Racecourse Development Fund (\$635,000) at the prescribed rates of 6% and 2% respectively.

An additional \$300,000 was allocated from the Distribution as a part payment against the \$1.03M provided by HRNSW to clubs in 2006 to maintain prizemoney levels during the height of the TVN Dispute.

\$2.9M was provided to fund the Controlling Bodies of which \$2.08M went to the GHRRA as approved by the Minister for Gaming and Racing and \$0.8M to HRNSW as approved by the NSW Harness Racing Clubs Committee.

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

This amount was subsequently reduced to \$26.3M on receipt of advice that the GHRRA anticipated a budget over-run in 2007 which would require an additional \$120,000 allocation from the Distribution.

Including this adjustment, total funding provided to clubs increased by \$300,000 (1.1%) on 2006.

Steps taken in 2007 by HRNSW to ensure the continued efficiency of club operations and associated flow through of benefits to prizemoney funding included maintaining the approved overhead rate for clubs at 25% of funds received and the establishment of minimum prizemoney levels for funded races.

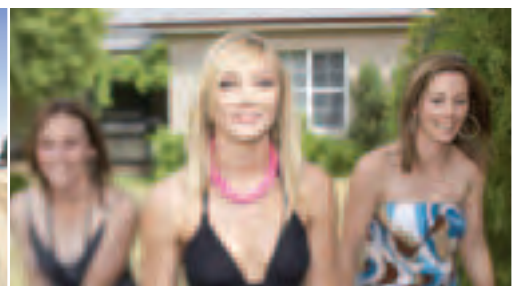
These and other funding initiatives were described in detail in the Industry Budgets and Club Funding Allocation Table prepared by HRNSW for distribution to and agreement by clubs in May each year.

In addition to the budgets and allocation tables, HRNSW prepares club performance agreements annually with each club conducting TAB racing that sets out key performance indicators (KPIs) including races to be conducted, prizemoney distribution levels, turnover targets and field size requirements.

A monthly reporting system to the HRNSW Board and individual clubs of progress against KPIs is in place with a complete report of industry financial and racing performance being submitted to the NSW Harness Racing Clubs Committee annually.

The budget preparation and consideration process between HRNSW and the clubs, the essentials of which are set out in the *Intracode Agreement*, has become progressively more sophisticated each year with provisions now being included to handle the carrying forward of races lost as well as funding received but not distributed during a financial year.

As a consultative and consensus-building mechanism, the process has proven its worth in promoting transparency and mutual accountability giving rise to much improved relations between HRNSW and clubs on industry funding matters.





INDUSTRY FUNDS

The Industry Funds is an allocation from the TAB Distribution that is used by HRNSW to finance general activities such as the Sires Stakes Series, State Bred Bonus Scheme, Carnival of Cups, Trotters Foundation races and prizemoney subsidies among other things.

In 2007 \$1.9M was paid into the Industry Funds from the Distribution against expenditure for the year of \$2.2M, the balance being drawn from sundry income received throughout the year.

The reform process commenced in 2006 which aimed to secure savings was continued towards the achievement of HRNSW's aim of turning the Industry Funds into a major driver of industry development rather than simply being a source of supplementary funding.

Accordingly savings of \$250,000 garnered through efficiencies were used as seed funding in 2007 to launch the Carnival of Cups Series which has proved to be a resounding success.

Clubs were also given a year's notice that prizemoney subsidies for events such as the Bathurst Gold Crown and Leeton MIA Breeders Plate were being phased out to release funds for greater investment in the Carnival of Cups.

Most importantly, a far-reaching revision of the NSW breeding schemes (ie. Sires Stakes Series and State Bred Bonus Scheme) discussed in greater detail later in this report was undertaken which also required a complete overhaul of financing arrangements from the Industry Funds.

Benefits flowing from the reform of the Industry Funds and adoption of a more aggressive growth strategy for its use will be readily apparent in 2008 as HRNSW accelerates its racing and breeding schemes initiatives.

On the racing side HRNSW has committed \$6M over the next 5 years from the Industry Funds to the ongoing expansion of the Carnival of Cups Series commencing with the injection of \$900,000 in funding for 2008.

The Rising Stars Series for young drivers, which was previously funded solely by the NSW Harness Racing Clubs Committee, will also benefit from increased promotional support as well as direct funding assistance.

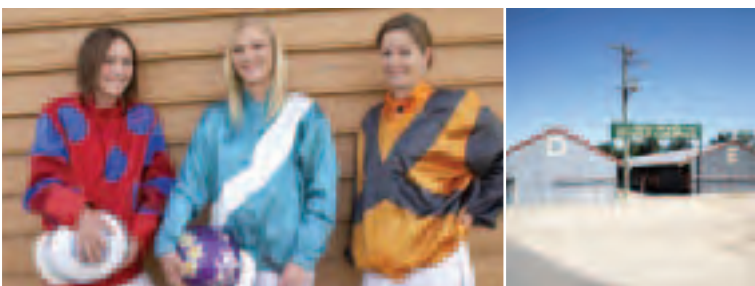
Grass-roots development will continue to be catered for through the provision of \$12,000 in annual funding to the Mini-Trotting Association, acquisition of protective vests for children and the commitment of HRNSW's promotional and marketing resources towards assisting with the development of mini-trotting activities.

Breeding initiatives will be the major beneficiary of revisions to the Industry Funds with the announcement of major funding increases for 2008.

Funding of the popular State Bred Bonus Scheme has been increased by over 70% while reducing, as a result of revised administrative arrangements, the ongoing liability of the Industry Funds for unredeemed certificates.

The Breeders' Challenge Series, which required the development of new entry payment structures and ongoing funding mechanisms, is expected to trigger greater investment and stimulus to the NSW breeding industry.

As an indication of HRNSW's commitment to the Breeders' Challenge, financing from the Industry Funds and participant pay-ups will enable it to be launched in 2008 with Series 1 and 2 of the Challenge being worth \$2.8M.



Mobile start vehicles (right) and water tankers (below) are two essential infrastructure items for clubs



RACECOURSE DEVELOPMENT FUND

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

While HRNSW is responsible for approving expenditure from the RDF, a process is in place that requires applicants to first make submission to the NSW Harness Racing Clubs Committee which then provides HRNSW with a recommendation for consideration.

In 2007 \$635,000 was provided to the RDF from the TAB Distribution, the majority of which was spent during the course of the year resulting in marginal growth in the total worth of the RDF.

Club allocations of the 2007 spend from the RDF went towards track improvements at Penrith, Newcastle and Bathurst, the acquisition of an additional mobile semaphore board, and replacement racing-related plant and equipment such as water tankers and tractors, and a range of minor works for clubs.

Of the remaining amount \$95,000 was provided to the GHRRA to fund its capital requirements for the acquisition of motor vehicles, and computing and office equipment assets, with a further \$140,000 to be provided from the RDF in 2008.

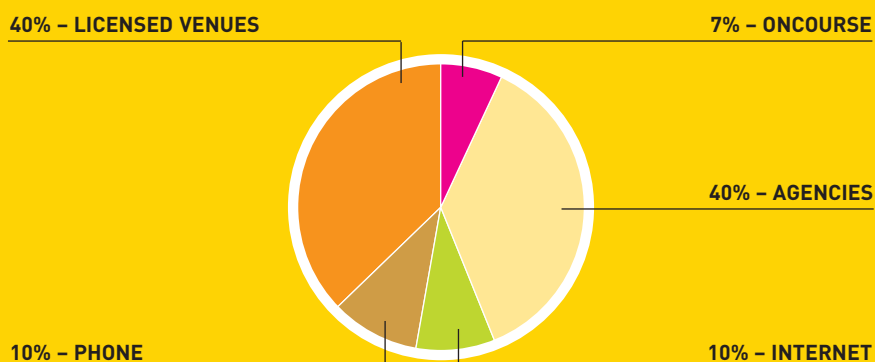
This is in keeping with average expenditure trends for the RDF which over time indicate that 1/3 of the annual TAB Distribution allocated to the RDF goes towards GHRRA requirements.

In view of the lack of significant growth in the RDF over the last five years and the impending need for major capital investments in track development, HRNSW has sought the assistance of the GHRRA in re-examining options for funding its needs such as moving to the use of vehicle leasing rather than the acquisition and replacement cycle currently in place.

During the year HRNSW undertook a review of club heavy equipment replacement requirements resulting in the development of a prioritised replacement schedule which is to be implemented as funds permit.



TAB TURNOVER BY SOURCE FY2007



As a first step, HRNSW has committed funding from the RDF in 2008 to replace track conditioners and graders for several clubs.

Expert track design and redevelopment studies were completed during 2007 and are the subject of examination by HRNSW and clubs as a precursor to the development in consultation with the industry of broader plans to improve NSW tracks.

BENEVOLENT FUND

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

In the past the Benevolent Fund has been used to contribute to funerary costs, provide bridging loans to meet mortgage payments and ensure the wellbeing of families especially in cases involving death and disability where there are lags in the release of insurance benefits by providers.

Previously fines levied by the Controlling Body on participants for transgressions was used to contribute to the growth of the Benevolent Fund.

This is no longer the case and as such the Benevolent Fund only receives interest on funds held and payments made by HRNSW from time to time from surplus funds.

HRNSW intends in 2008 to engage in discussions with the GHRRA which has the responsibility for fines to seek an arrangement wherein a percentage can be allocated annually to grow the Fund.

Due to the confidential and personally-sensitive nature of applications, HRNSW does not report on their detail. In relation to 2007 one application for personal assistance was received and approved.



The Carnival of Cups Series drew money back to harness racing especially in the country

REVIEW OF OPERATIONS

RACING OPERATIONS

4,039 races structured into 507 race meetings were conducted in 2007 compared to 4,191 races and 523 race meetings in 2006.

RACES AND RACE MEETINGS

As there has been no significant change to the planned number of race meetings since 2003, the variation in races and race meetings conducted being due to either lack of available horses at times during the year and Acts of God such as the massive rainstorms which affected the eastern seaboard in 2007.

Races were allocated to clubs by HRNSW as part of the annual budget cycle in accordance with the *Intracode Agreement*.

A total of 736 TAB races structured in to 92 meetings was allocated to the Principal Club (Harold Park) and the Regional Racing Centres Levels 1 (1,040 races as 120 meetings) and 2 (1,817 races as 221 meetings).

420 Non-TAB races were allocated to the Graduation (210 races as 35 meetings) and Penalty Free (210 races as 35 meetings) Clubs.

Five TAB race meetings comprised of 45 races were lost during 2007 due to inclement weather resulting in a total payment of \$30,000 by HRNSW to affected clubs by way of financial assistance for losses incurred.

In order to ensure that the industry has every opportunity to distribute prizemoney and generate turnover, an agreement is in place between HRNSW and clubs that enables clubs to make up lost races during the course of the year following the one in which they were lost or abandoned.

CARNIVAL OF CUPS SERIES

The introduction of the Carnival of Cups Series in 2007 has been acclaimed by the industry as one of the most progressive and positive initiatives in the last decade.

Launched with seed funding obtained from internal efficiencies as well as the contribution of race dates and funding by the Principal Club, the Carnival of Cups Series provides clubs with the opportunity to tender for events and funding from HRNSW which is distributed on a dollar-for-dollar basis according to sponsorship raised by clubs.

(L-R) Mark McNamara, Amber Lovelock, Adam Fairley, Lauren Sykes and Greg Hayes, the core of HRNSW's Carnival of Cups team





The rationale behind the introduction of the Carnival of Cups was the need perceived by HRNSW to build a linked series of races that would incentivise clubs while also providing a fair and equitable means of redistributing funds from the city to the country.

Interested clubs tender for race dates and if successful are allocated funding by HRNSW based on the level of sponsorship raised by the club.

The provision of additional funding and dedicated promotional support by HRNSW has enabled clubs to obtain new sponsors as well as create a race event that brings harness racing closer to local communities.

14 events were conducted in 2007 which produced a total financial benefit to the industry of \$916,000, the majority of which was paid as prizemoney.

Attendances were high especially in the country and the overall level of turnover generated exceeded the target set by HRNSW as one measure of the success of the Series.

This was in part due to HRNSW's increased promotional and marketing effort which complemented local input provided by conducting clubs.

The contribution of Mark McNamara and Greg Hayes, who were promptly tagged and promoted as the 'Dream Team', on race calling and live TV/radio broadcasting enhanced the Series considerably.

The positive financial outcome of the inaugural Series and feedback received from clubs, sponsors and participants has ensured its continuation with the announcement late in 2007 by HRNSW of a \$6M investment in the Carnival of Cups for the next five years.

In association with a further developed promotion and marketing campaign, and the ongoing support of the

Principal club which is contributing \$800,000 towards the Series over the next five years, HRNSW intends to continue to develop the Carnival of Cups into a major feature of the NSW racing calendar.

RISING STARS SERIES

For the past few years a Rising Stars Series has been conducted in NSW to provide a means of identifying and recognising talent from the ranks of the State's young drivers.

In 2007 HRNSW was provided with an opportunity for greater involvement in the Series which was previously organised and conducted by the NSW Harness Racing Clubs Committee.

HRNSW's contribution to the Series in 2007 involved a direct injection of funding towards running costs and the commitment of promotional and marketing resources to bring the Series and its participants to greater prominence.

In a combined effort the NSW Harness Racing Clubs Committee, Graduation & Penalty Free Clubs Association and HRNSW contributed funds towards a range of social and recreational activities for the young drivers.

With the assistance of SKY Channel and Radio 2KY, HRNSW also organised an official launch of the Series and a Meet the Media day conducted at the Penrith Whitewater Stadium.

Ten young drivers, including for the first time three females, competed in a series of races conducted at and with the assistance of the Principal Club, and the Bathurst, Penrith and Newcastle Harness Racing Clubs.

The Series, which was eventually won by Ms Stacey Towers, will be the subject of further intensive development by HRNSW and its partners in 2008 to form a primary means of showcasing rising young talent in NSW.

(L-R) Arron Lombardo and
Adam Fairley of the Racing Policy
and Operations unit



SIRES STAKES SERIES

The 2007 NSW Sires Stakes Series comprised 49 races made up of 37 heats, 8 semi-finals and 4 finals with a total of \$890,000 being distributed as prizemoney.

Following on from the successful trial last year, all four Group 1 \$100,000 finals were again conducted on the same night at Harold Park.

The running of all finals on one night produced tremendous atmosphere in concert with the heightened activity associated with Harold Park's extremely successful 10 for 30 Night promotion.

The 2007 finals produced what could arguably have been one of the most emotional nights the famous Glebe circuit has seen as each final winner had a story behind it.

The win of *Flite Dynasty* – trained, owned and driven by the Adams family – was dedicated to the late Merv Adams who had passed away just prior to the final.

Mel Karamea's win was dedicated to a former owner Grant Andrew, whose wife Carole maintained ownership after his passing.

The win of *Cant Bluff Me* was an emotional win for driver James Ponsonby, who emulated the feats of his father and mentor Jon by taking out a NSW Sires Stakes Final.

Jon, a former trainer/driver now working as a photographer at harness races, took out the inaugural NSW Sires Stakes Final with *Kiaroa* back in 1979.

The other winner on the night, *Second Dollar*, was bred and owned by industry stalwarts Terry, Elaine and Scott Gardner who also bred and owned her dam *Scotts Dollar*, which was also a top flight juvenile in her racing days.

Details of the entire series are as follows:

TWO YEAR OLD COLTS & GELDINGS

10 races in total and \$200,000 in total prizemoney paid.

Races	P/M per race	Total P/M
7 Heats	\$10,000	\$70,000
2 Semi-Finals	\$15,000	\$30,000
1 Final	\$100,000	\$100,000

The final held at Harold Park on 29 June 2007 was won by *Flite Dynasty*, bred by S C & N Dumesny, owned by S M Adams, S G Adams, G J Underhill & D E Underhill, trained by R W Adams and driven by S M Adams.

TWO YEAR OLD FILLIES

11 races in total and \$210,000 in total prizemoney paid.

Races	P/M per race	Total P/M
8 Heats	\$10,000	\$80,000
2 Semi-Finals	\$15,000	\$30,000
1 Final	\$100,000	\$100,000

The final held at Harold Park on 29 June 2007 was won by *Mel Karamea*, bred by J Bucca & R G Lloyd, owned by J Bucca, F C Brenner & C A Andrew, trained and driven by A G Bucca.

THREE YEAR OLD COLTS & GELDINGS

14 races in total and \$240,000 in prizemoney paid.

Races	P/M per race	Total P/M
11 Heats	\$10,000	\$110,000
2 Semi-Finals	\$15,000	\$30,000
1 Final	\$100,000	\$100,000

The final held at Harold Park on 29 June 2007 was won by *Cant Bluff Me*, bred by Eureka Standardbreds, owned by Jetstarr Properties Pty Ltd, trained by P T S N Lasnick & driven by J R Ponsonby.

“Juvenile horses have shone in a stellar year of feature racing.”



THREE YEAR OLD FILLIES

14 races in total and \$240,000 in prizemoney paid.

Races	P/M per race	Total P/M
11 Heats	\$10,000	\$110,000
2 Semi-Finals	\$15,000	\$30,000
1 Final	\$100,000	\$100,000

The final held at Harold Park on 29 June 2007 was won by *Second Dollar*, bred and owned by T H Gardner, E A Gardner & S N Gardner, trained by B J Elder & driven by G Lang.

STALLION PERFORMANCE

Total number of wins in the overall NSW Sires Stakes Series:

Sire	Wins
<i>Stature</i> USA	10
<i>Brioso</i> Hanover USA	5
<i>Jennas Beach Boy</i> USA	5
<i>Trump Casino</i> USA	5
<i>Aces N Sevens</i> USA	4
<i>Bad Bert</i> USA	4
<i>John Street</i> North	4
<i>Peace Of Art</i> CA	3
<i>Surfing Safari</i>	2
<i>Die Laughing</i> USA	1
<i>Justanotherpoorboy</i> USA	1
<i>Mystical Prince</i> USA	1
<i>Panorama</i> USA	1
<i>River Khan</i>	1
<i>Stand Forever</i> USA	1
<i>Strong Life</i> USA	1
Grand Sire*	Wins
<i>Sun Lamp</i> USA	7
<i>Panorama</i> USA	5

<i>Payson's Brother</i> USA	4
<i>Sokys Atom</i> USA	4
<i>Seahawk Hanover</i> USA	3
<i>Supreme Dynasty</i> USA	3
<i>Big Band Sound</i> USA	2
<i>Caesar Blue Chip</i> USA	2
<i>Jeremy Lobell</i>	2
<i>Safely Kept</i> USA	2
<i>Whats Next</i> USA	2

*Minimum 2 wins

FEATURE RACES

NSW trainers had a stellar year in 2007 with a range of feature race wins throughout Australasia, particularly with juvenile horses.

Heading the list of outstanding performers was *Lombo Pocket Watch*, trained by Paul Fitzpatrick and driven by his son Gavin.

Lombo Pocket Watch won a string of feature races during the year including the Australasian Breeders Crown (as a 2YO), Australian Pacing Gold Final, Tasmanian Derby, Victorian Derby, VIC Sires Stakes Final and the VIC Sires Classic.

In a rare feat NSW trainers produced all four winners of the Australian Pacing Gold Series.

Greg Kelly driven by Bruce Harpley and trained by Bernie Kelly took out the 2YO Colts and Geldings, while *Kept For Pleasure* driven by Gavin Lang and trained by Michael Doltoff was successful in the 2YO Fillies.

As previously mentioned *Lombo Pocket Watch* won the 3YO Colts and Geldings and Miss Hazel driven by Gavin Lang and trained by Michael Doltoff completed the domination by taking out the 3YO Fillies.

NSW based fillies were also dominant during the year taking out all Oaks races held on the eastern seaboard.

Miss Hazel won the NSW Oaks, *Dance Of Life* was successful in both the QLD and VIC Oaks and *Second Dollar* driven by Gavin Lang and trained by Brian Elder took out the TAS Oaks.

Three state trained horses took out finals at the Bathurst Gold Crown Carnival. *Yrubla* (Albury spelt backwards) was successful for trainer/driver David Jack in the 2YO Colts and Geldings, *Franco Nester NZ* driven by Jarrod Alchin and trained by Martin Herbert triumphed in the 3YO Colts and Geldings and the ever consistent *Dance of Life* won the 3YO Fillies division.

Bernie Kelly again produced a series of top-liners from his enviable line-up. Champion 2YO *Lady Waratah* was successful in the Australasian Breeders Crown 3YO Fillies division, *Greg Kelly* took out the Australian Pacing Gold and *Master Waratah* won the VIC Edgar Tatlow Stakes.

Other 2YO features won by NSW trained horses were the Kay Seymour 2YO Fillies Final by *Another Joy* driven by Ricky Thurlow and trained by Michael Doltoff, the 2YO Fillies division of the Linden Huntley Little Memorial by *Cheri Cullen* for trainer/driver Bernie Hewitt, the NSW

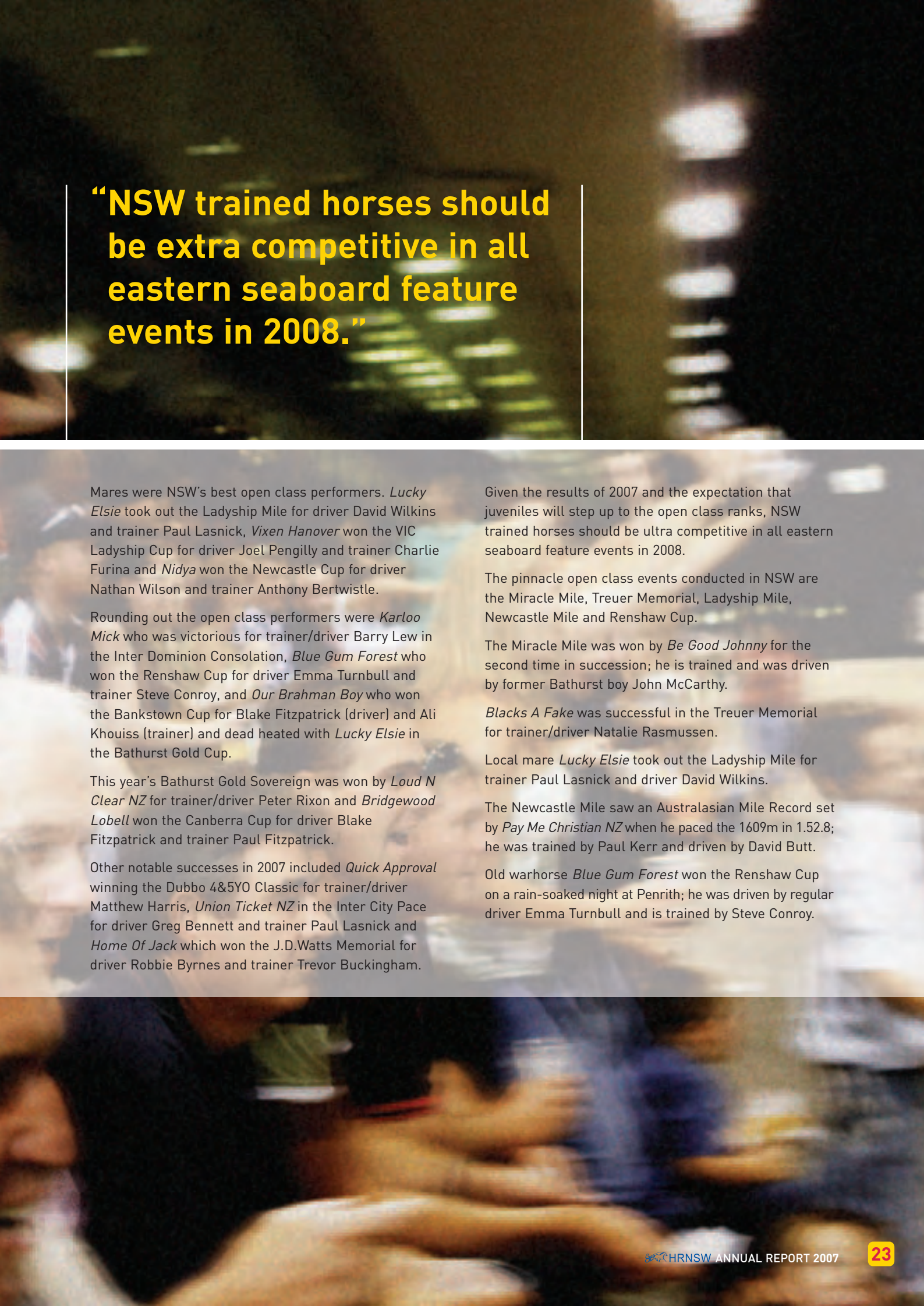
Sapling Stakes won by *Lombo Air Express* for driver Gavin Fitzpatrick and trainer Paul Fitzpatrick, the VIC Youthful Stakes won by *Flightpath* for trainer/driver Wayne Honan and both NSW Sires Stakes Finals which were won by *Flite Dynasty* for Scott Adams (driver) and Ross Adams (trainer) and *Mel Karamea* in the fillies division for trainer/driver Anthony Bucca.

Additional 3YO features where NSW horses were successful included the SA Derby where *Lively Exit* won for driver Greg Bennett and trainer Robin Hosking.

Dance Of Life added the Raith Memorial to her outstanding season, *Bold And Regal* won the Simpson Memorial for driver Ben Sarina and trainer Sam Treffiletti, and both NSW Sires Stakes Finals were won by NSW based horses in *Cant Bluff Me* (Colts and Geldings) and *Second Dollar* (Fillies).

'Derby King' *Divisive* did not disappoint his trainer/driver Peter Rixon during his 4YO season when he travelled to New Zealand and took out the Noel Taylor Mile.

The other standout 4YO was *Aldebaran* who travelled to QLD with trainer/driver Neil Day to take out the QSBA Breeders Stakes and the QLD Sires Stakes Final for 4YO Mares.



“NSW trained horses should be extra competitive in all eastern seaboard feature events in 2008.”

Mares were NSW's best open class performers. *Lucky Elsie* took out the Ladyship Mile for driver David Wilkins and trainer Paul Lasnick, *Vixen Hanover* won the VIC Ladyship Cup for driver Joel Pengilly and trainer Charlie Furina and *Nidya* won the Newcastle Cup for driver Nathan Wilson and trainer Anthony Bertwistle.

Rounding out the open class performers were *Karlo Mick* who was victorious for trainer/driver Barry Lew in the Inter Dominion Consolation, *Blue Gum Forest* who won the Renshaw Cup for driver Emma Turnbull and trainer Steve Conroy, and *Our Brahman Boy* who won the Bankstown Cup for Blake Fitzpatrick (driver) and Ali Khouiss (trainer) and dead heated with *Lucky Elsie* in the Bathurst Gold Cup.

This year's Bathurst Gold Sovereign was won by *Loud N Clear NZ* for trainer/driver Peter Rixon and *Bridgewood Lobell* won the Canberra Cup for driver Blake Fitzpatrick and trainer Paul Fitzpatrick.

Other notable successes in 2007 included *Quick Approval* winning the Dubbo 4&5YO Classic for trainer/driver Matthew Harris, *Union Ticket NZ* in the Inter City Pace for driver Greg Bennett and trainer Paul Lasnick and *Home Of Jack* which won the J.D.Watts Memorial for driver Robbie Byrnes and trainer Trevor Buckingham.

Given the results of 2007 and the expectation that juveniles will step up to the open class ranks, NSW trained horses should be ultra competitive in all eastern seaboard feature events in 2008.

The pinnacle open class events conducted in NSW are the Miracle Mile, Treuer Memorial, Ladyship Mile, Newcastle Mile and Renshaw Cup.

The Miracle Mile was won by *Be Good Johnny* for the second time in succession; he is trained and was driven by former Bathurst boy John McCarthy.

Blacks A Fake was successful in the Treuer Memorial for trainer/driver Natalie Rasmussen.

Local mare *Lucky Elsie* took out the Ladyship Mile for trainer Paul Lasnick and driver David Wilkins.

The Newcastle Mile saw an Australasian Mile Record set by *Pay Me Christian NZ* when he paced the 1609m in 1.52.8; he was trained by Paul Kerr and driven by David Butt.

Old warhorse *Blue Gum Forest* won the Renshaw Cup on a rain-soaked night at Penrith; he was driven by regular driver Emma Turnbull and is trained by Steve Conroy.

REVIEW OF OPERATIONS

BREEDING SCHEMES



REFORM FOR THE FUTURE

Following considerable internal analysis HRNSW embarked on a complete revision of the breeding schemes operating in NSW with the aim of providing greater stimulus to support the breeding industry.

Broad consultation in the form of discussion papers, draft terms and conditions and several forums conducted in the country provided an opportunity for industry input into the reform process.

After what amounted to just under 12 months of review and consultation, HRNSW announced in late 2007 the implementation of a series of revisions and initiatives that will form the basis of NSW's breeding schemes for the foreseeable future.

BREEDERS' CHALLENGE

The first substantial change to the form and structure of NSW's breeding schemes in 28 years will come into play with introduction of a new scheme called the NSW Breeders' Challenge.

The Breeders' Challenge has been formulated in part to meet the need in NSW for a significant series available for breeders who bred to stallions that were not domiciled in NSW.

With the introduction of the Breeders' Challenge, breeders will now have the benefit of being able to choose any stallion worldwide knowing that the progeny can race in a series for substantial prizemoney in their home state.

The new series will cater for 2, 3 & 4YO horses that are at least 50% NSW bred, meaning that either the stallion or broodmare must be domiciled in NSW at the time of insemination.

The Breeders Challenge has been structured as a futurity race series where prizemoney levels are determined by the number of nominations.

Thus far 760 nominations have been received for Series 1 while Series 2 has attracted in excess of 800 nominations making the launch of the Breeders' Challenge in 2008 worth \$2.8M.

A compulsory Breeding Registration Fee has been introduced for matings in 2008 and beyond which is to be paid by studs (payable upon service) and breeders (payable upon live foal).

Participation in all NSW Breeding Schemes is the responsibility of the horses' owner through the introduction of an optional Participation Fee that will provide entry into any breeding-related racing series conducted now and in the future by HRNSW.

To spread the load on owners, Participation Fee pay-ups may be made in instalments.

Fees received for participation in the various breeding schemes will enable the consolidation of funds which are then to flow back to the industry in the following ways:

- Increased prizemoney funding for the Series,
- Increased funding whereby Breeders who sell will continue to be paid an increased percentage of prizemoney for the horses they bred that win NSW Breeders Challenge events,
- Payment of a \$10,000 bonus to stallion nominators of NSW based sires if the progeny of their sire wins a NSW Breeders Challenge event,
- Increased funding of the State Bred Bonus Scheme.



“Trends suggest that NSW Stallions are becoming increasingly popular.”

SIRES STAKES SERIES

The terms and conditions for the NSW Sires Stakes Series have remained unchanged allowing only progeny of a NSW based stallion to be eligible for the Series.

Trends suggest that more and more breeders are best matching their mares to all available stallions.

Based on these trends it is envisaged that the number of foals bred by non-NSW based stallions will substantially increase and as such the NSW Sires Stakes may become less viable over time.

While the Series is to definitely continue until 2010 in order to honour all past matings made under the existing terms and conditions, HRNSW has served the industry with notice that the Sires Stakes Series may be phased out at some point in the future in favour of the more dynamic and open Breeders' Challenge Series.

STATE BRED BONUS SCHEME

As part of its broader reform package HRNSW announced changes to the terms and conditions of the NSW State Bred Bonus Scheme (SBBS).

Eligibility for the SBBS is now limited to NSW Breeders Challenge eligible horses and entry into the Scheme is optional.

In addition, on the back of significant funding increases for the Scheme, HRNSW has revised the way in which certificates are allocated to and distributed by clubs.

Allocation of SBBS certificates to race clubs is now based on the number of race meetings to be conducted annually by clubs.

In recognition that the annual allocation of certificates is not always fully distributed, which means that funds committed by HRNSW to the SBBS have not found their way to participants, HRNSW has introduced a 'Use It or Lose It' policy and a jackpot condition for clubs.

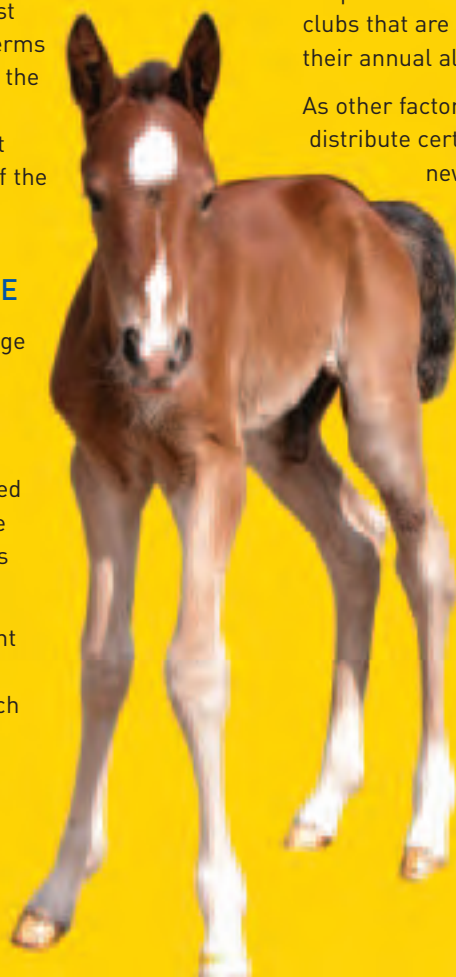
The 'Use It or Lose It' policy means that clubs that do not distribute their allotted certificates in a year will have their allocation of certificates reduced in the following year.

Surplus certificates will subsequently be directed to clubs that are meeting their commitments to distribute their annual allocation to participants.

As other factors sometimes impinge on club ability to distribute certificates, HRNSW has also introduced a new jackpot condition to allow clubs that are falling short of distributing their annual allocation to program a jackpot race whereby two certificates with a total value of \$4,000 may be issued to winning SBBS-eligible horses.

By jackpotting certificates clubs will be able to program specific races that have an increased likelihood of attracting top quality race fields.

As a final initiative HRNSW has also set a limit of three certificates per horse per age group in order to ensure that more participants have access to what has proved to be a very popular and successful stimulus to the breeding industry.



REVIEW OF OPERATIONS

CLUB OPERATIONS

PRINCIPAL CLUB

The NSWHRRC (Harold Park) conducted 87 race meetings (729 races) and received \$11.4M in total funding from the Distribution in 2007.

Total turnover on metropolitan meetings was \$65M, a decrease of 5% on the previous year.

REGIONAL RACING CENTRES LEVEL 1

The Regional Racing Centres Level 1 (Menangle, Newcastle and Penrith) conducted 117 race meetings (983 races) and received \$5.6M in total funding from the Distribution in 2007.

Total turnover on TAB meetings conducted by these three clubs was \$58M, an increase of \$4.7M on the previous year.

REGIONAL RACING CENTRES LEVEL 2

The Regional Racing Centres Level 2 (Bankstown, Bathurst, Bulli, Dubbo, Parkes, Tamworth, Wagga and Young) conducted 224 race meetings (1,809 races) and received \$8.5M in total funding from the Distribution.

Total turnover on TAB meetings conducted by these eight clubs was \$91M, an increase of \$1M on the previous year.

In 2007 Bankstown, Bathurst, Bulli, Dubbo, Wagga and Young were successful in securing a Carnival of Cups event.

GRADUATION CLUBS

The Graduation Clubs (Albury, Broken Hill, Junee, Leeton, Orange, and Temora) conduct Non-TAB racing with a minimum prizemoney level of \$2,000.

In 2007 these clubs conducted 34 race meetings (232 races) and in the case of Junee, Leeton, Orange and Temora were also successful in securing a Carnival of Cups event.

PENALTY FREE CLUBS

The Penalty Free Clubs (Blayney, Coolamon, Cootamundra, Cowra, Eugowra, Forbes, Griffith, Inverell, Muswellbrook, Narrabri, Peak Hill and West Wyalong) conduct Non-TAB racing with a minimum prizemoney level of \$1,000.

In 2007 these clubs conducted 45 race meetings (286 races). Eugowra was the only club in this category to conduct a Carnival of Cups event during the year.





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 2007 these clubs received a total of \$75,000 in direct funding from the Distribution for their operations and were also successful in securing a Carnival of Cups event each.

HARNESS RACING CLUBS COMMITTEE

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

During 2007 HRNSW provided representation at all Harness Racing Club Committee meetings to advise delegates on a range of HRNSW initiatives and receive feedback on matters of importance to clubs.

Issues addressed included the trial and subsequent installation of new, standardised marker pegs at all

tracks where TAB racing is conducted, revised insurance arrangements, club and prizemoney funding, ambulance coverage and RDF applications.

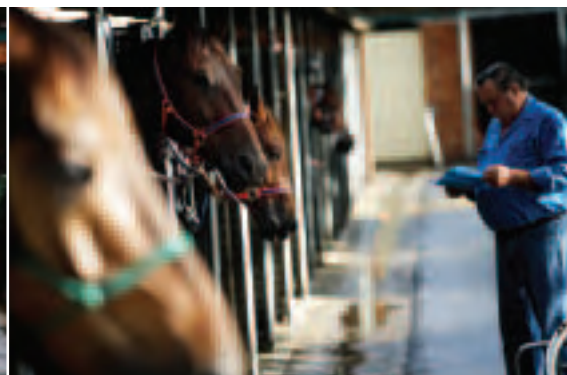
The Harness Racing Clubs Committee is funded from an annual levy on its members and does not receive any financial assistance from HRNSW.

GRADUATION & PENALTY FREE CLUBS ASSOCIATION

The Graduation & Penalty Free Clubs Association was formed in 2003 to replace the Country Clubs Association following structural changes arising from the implementation of HRNSW's Strategic Plan.

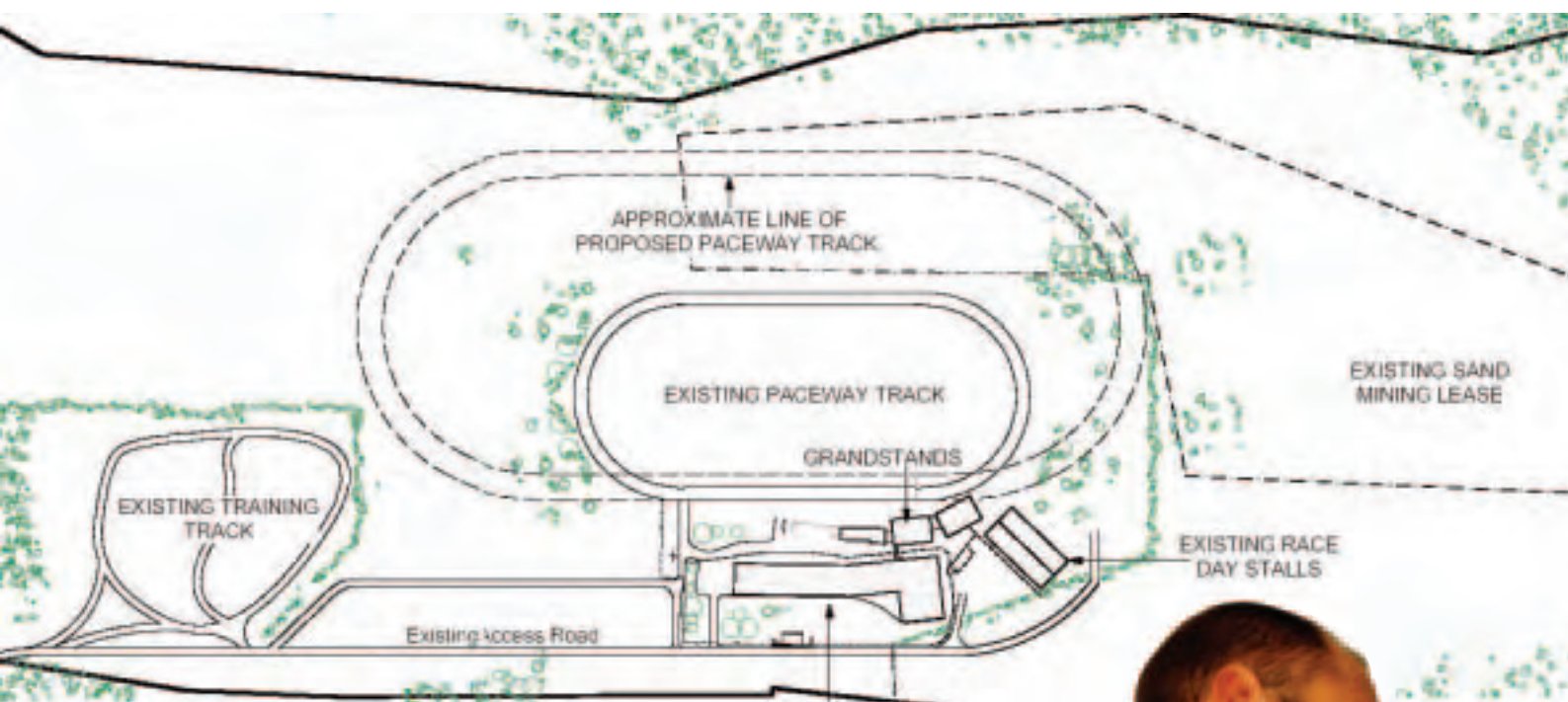
HRNSW representatives attended the majority of Graduation & Penalty Free Clubs Association meetings held in 2007 to address issues such as the funding of country-based Non-TAB clubs, ambulance coverage and a range of policy issues including reverse handicapping, exhibition (show) racing and the possible introduction of a compulsory state-wide gig insurance scheme.

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

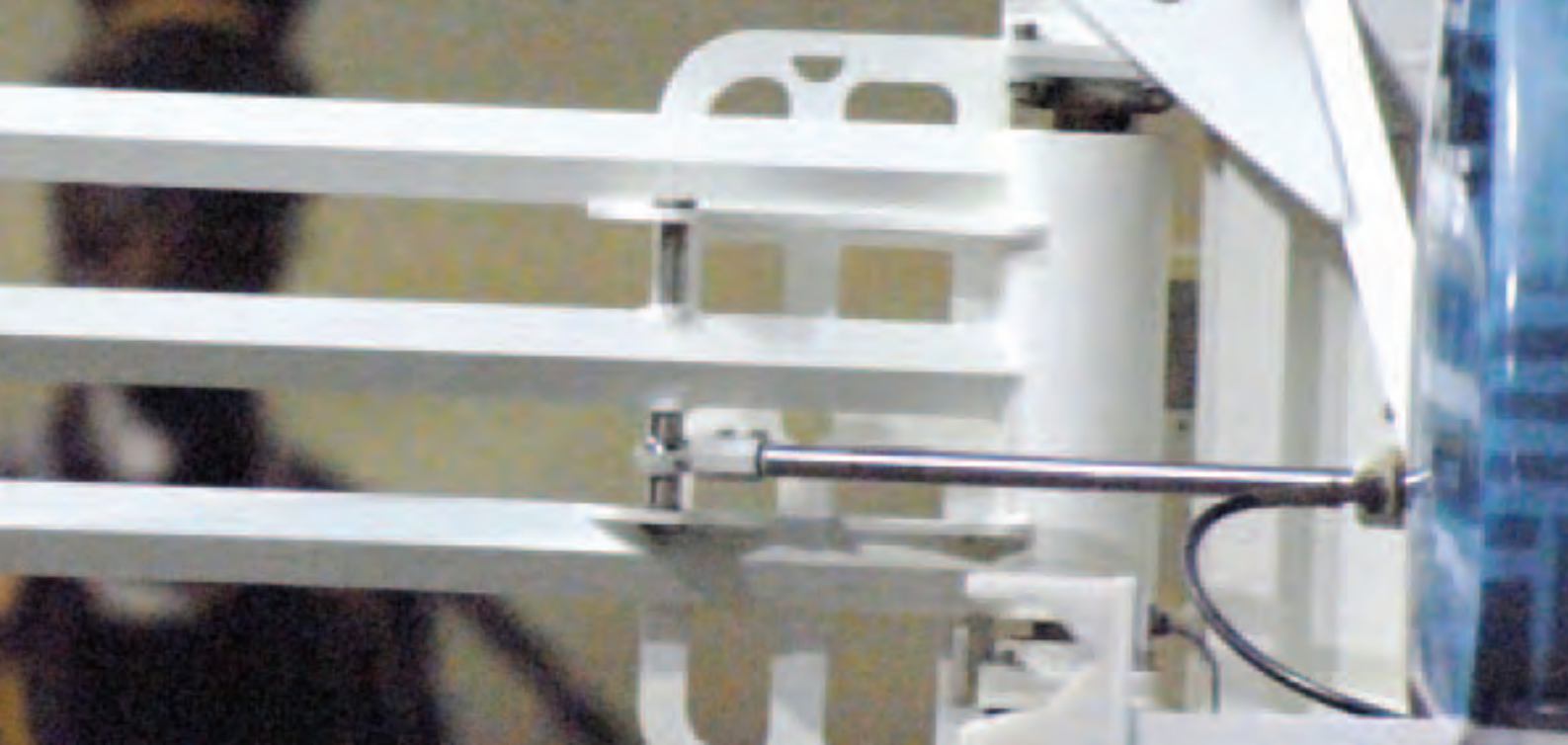


REVIEW OF OPERATIONS INFRASTRUCTURE

The commencement by the NSWHRRC of the Menangle Park development met with almost universal support from the industry which views the construction of a 1,400 metre track as a most positive venture for NSW.



PLANS FOR MENANGLE PARK REDEVELOPMENT



MENANGLE PARK DEVELOPMENT

HRNSW fully supports the Menangle Park development which, given its proximity to a large horse population and location in a quickly expanding part of Sydney, has the potential to form the centrepiece of TAB racing in NSW.

In addition to this HRNSW supports the development of training and associated facilities at Menangle Park, which are to be considered as part of the extended development plan.

BERESFIELD LAND

In 2007 the Minister for Gaming and Racing transferred ownership of the Beresfield Land in the Hunter Valley from the GHRRA to HRNSW.

The transfer of ownership will facilitate the commercialisation of the land, the benefits of which are restricted for the development of harness racing in the Hunter Region.

HRNSW has commenced the necessary processes required to realise a commercial benefit from the Beresfield Land in association with the Newcastle Harness Racing Club.

To ensure that future dealings with the land and any proceeds arising from its sale and/or development are handled transparently and in accord with conditions imposed by the Minister, HRNSW will be forming a trust with representation to be provided from participants in the Hunter Region.

TRACK REVIEWS

Reviews of all NSW TAB tracks were undertaken during 2007 by an expert team as the first in a series of steps aimed at improving the quality of racing facilities in NSW.

The results of the reviews are to be made available to clubs to serve as the basis for further discussions with HRNSW as to opportunities and possibilities for improving track designs and surfaces.

Following consultation with clubs and participants, HRNSW will be looking to develop a long-term plan for infrastructure improvements as a prerequisite to determining a costed timetable.

SALE OF HAROLD PARK

The announcement by the NSWHRRC that the Harold Park track at Glebe may be sold has been greeted with much interest by the industry.

HRNSW has been briefed by the NSWHRRC on the situation and is participating in the preparation of a business plan with the Club that examines all of the relevant issues.

As far as a potential sale is concerned, HRNSW is of the view that while there are many possible benefits for the industry, the matter is one that needs to first be addressed by the NSWHRRC membership in accordance with the Club's Constitution and plans for the future.

REVIEW OF OPERATIONS

EXTERNAL RELATIONS

TABCORP

HRNSW continued to work in partnership with Tabcorp, both directly and through Racingcorp, to further the aims and interests of the harness racing segment of the racing industry.

Greater emphasis has been given to developing closer working relations with Tabcorp on industry and event promotions and marketing in order to improve turnover on harness racing.

As a start HRNSW has with the agreement and assistance of Tabcorp been distributing copies of the Gazette as well as club/event promotional posters to TAB outlets in NSW.

In addition to this Tabcorp has been providing assistance to HRNSW on Carnival of Cups promotions and marketing, and with the development of a linked campaign to promote the Ladyship, Newcastle and Miracle Miles in 2008.

RACINGCORP

HRNSW is a founding member of NSW Racing Pty Ltd (Racingcorp) along with RacingNSW (thoroughbreds) and GRNSW (greyhounds).

Racingcorp is a company formed by the three racing codes to act as an agent in dealings with Government and Tabcorp on matters pertaining to the Racing Distribution Agreement and Intercode Deed.

HRNSW representation on the Racingcorp Board is provided by Mr Graeme Campbell (HRNSW Chairman), Mr Max Pool (HRNSW CEO) and Mr Ray Sharman.

In 2007 Racingcorp continued its focus on promoting the benefits of merged pools, providing support for the introduction of race fields legislation aimed at

protecting racing industry intellectual property, negotiation of new print media agreements and on lobbying the NSW Government for tax relief.

AUSTRALIAN HARNESS RACING COUNCIL

HRNSW is a joint member with the GHRRA of the Australian Harness Racing Council which acts as a national consultative body on harness racing issues.

During 2007 it was proposed to corporatise the AHRC by establishing it as a company limited by guarantee, a move that is expected to improve Council's image and business operations beyond harness racing.

This proposal is receiving serious consideration by the controlling bodies represented on the AHRC as to the suitability of the proposed charter and structure of the corporatised entity.

INTERDOMINION HARNESS RACING COUNCIL

HRNSW is a joint member with the GHRRA of the Interdominion Harness Racing Council which acts as the coordinating body for the annual conduct of the Interdominion Series.

The main issues considered during 2007 included the absorption of the IDHRC into the AHRC and the introduction of a new funding structure that would enable greater





investment in promotion and marketing of the Interdominion especially outside of harness racing.

The new funding model and associated marketing initiatives have been adopted and will come into play for the next Interdominion to be conducted in Victoria in 2008.

HRIPAC

The Harness Racing Industry Participants Advisory Committee is a consultative body consisting of industry representatives that assists HRNSW with the development and implementation of initiatives.

HRNSW has established a sound working relationship with HRIPAC and during the course of the year referred several matters such as the revision of the breeding schemes, proposal for compulsory gig insurance and changes to ambulance coverage to HRIPAC for comment.

Similarly HRIPAC has referred issues raised by participants to HRNSW for review and action where appropriate.

In response to requests for assistance from HRIPAC, HRNSW has given an undertaking to promote the role and responsibilities of HRIPAC to the industry.

INDUSTRY ASSOCIATIONS

HRNSW has established strong working relations with the various industry associations, in particular the United Harness Racing Association (UHRA) which represents trainers, drivers and owners; the NSW Standardbred Breeders and Studmasters Association (SBSA) and the Mini-Trotting Association.

The UHRA has been instrumental in assisting HRNSW disseminate information to participants on initiatives and reform, and has been prominent in bringing

participant concerns on a range of issues to the HRNSW's attention.

At the request of the UHRA, HRNSW embarked on the development of a compulsory gig insurance scheme for NSW which is still under consideration by participants working through the UHRA.

The UHRA has also provided representation at the invitation of HRNSW to various committees established to examine and/or reform aspects of industry operations such as handicapping policy.

Equally strong relations exist between HRNSW and the SBSA which were called upon during the revision of the NSW breeding schemes.

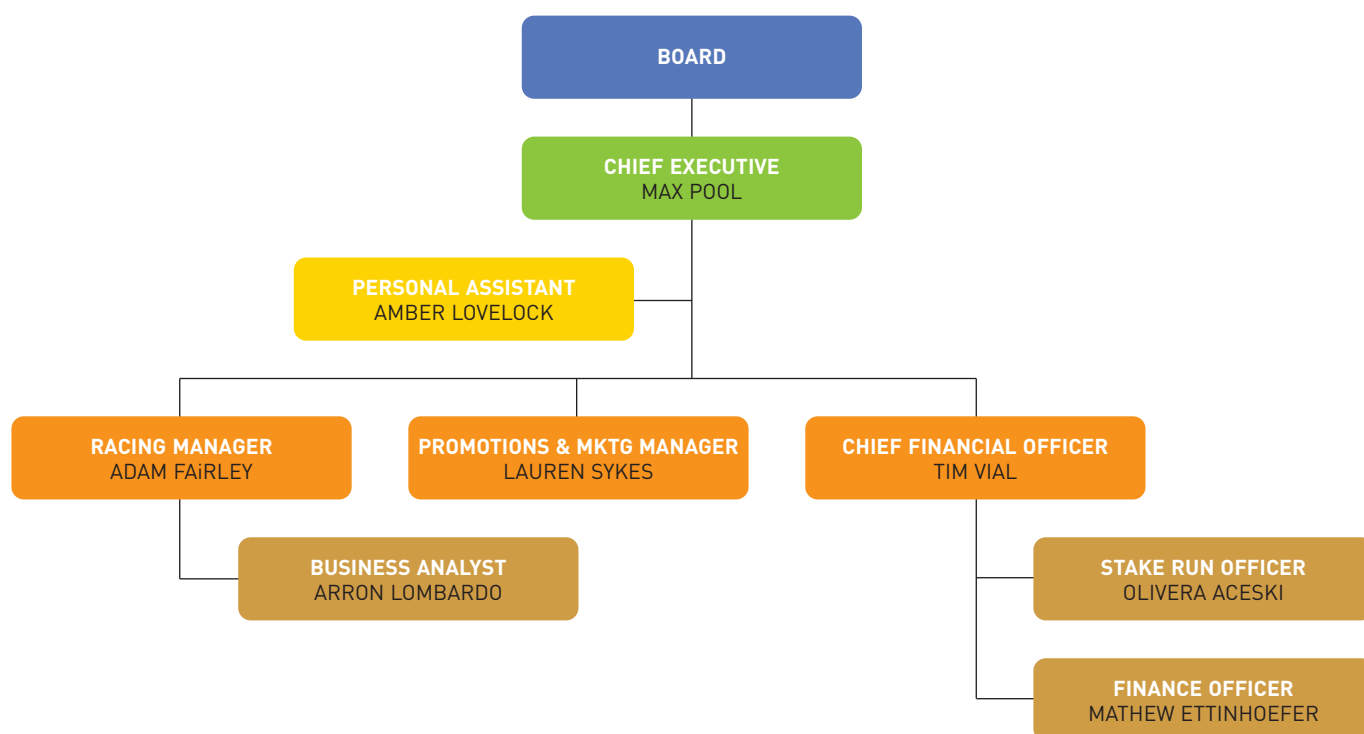
SBSA representatives attended several briefings and forums held across the State by HRNSW during the primary and secondary rounds of consultation on the revised terms and conditions of the breeding schemes.

HRNSW and the SBSA have also been working closely to better promote and market the NSW breeding industry, a development that will be accelerated in 2008 on the back of the introduction of the revised breeding schemes.

The Mini-Trotting Association, which is responsible for coordinating and managing children's mini-trotting activities in NSW, continues to work closely with HRNSW to improve the Association's administrative processes and raise the profile of mini-trotting.

During 2007 HRNSW assisted the Association with sponsorship and securing a venue for its annual championships, and is in the process of providing vests to the Association as part of a campaign to ensure the safety and security of participants.

HRNSW's young, dynamic and professional team bring an extensive range of experience to lead the industry into the future.



CORPORATE STRUCTURE

There was no change in HRNSW's permanent staffing levels during the year and on the basis of current responsibilities no plans are entertained for any changes to staffing levels in 2008.

During the year Ms Amy McIntosh, Personal Assistant to the Chief Executive, left HRNSW to pursue a career in human resources management. Ms McIntosh was replaced by Ms Amber Lovelock, who joined HRNSW from Alzheimer's Australia.

FINANCE & ADMINISTRATION

The Finance & Administration business unit is headed by Mr Tim Vial, Chief Financial Officer and comprises a total of three staff.

The business unit is responsible for the administration of funding arrangements with Tabcorp, payment of funds to clubs and management of industry funds administered on behalf of the industry by HRNSW.

In addition the unit manages the Centralised Stakes Payment System (CSPS) through which prizemoney and other payments are made to participants on behalf of all clubs.



(L-R) HRNSW's Executive team of Adam Fairley, Racing Policy & Operations, Lauren Sykes, Promotions & Marketing and Tim Vial, Chief Financial Officer

During 2007 a major technology replacement project was commenced to phase out the Epicor Platinum finance system in use since the 1990's in favour of the more modern and stable Microsoft Dynamics GP platform.

HRNSW adopted a tender process for the selection of a replacement finance system in order to obtain the most suitable product at the lowest cost to the industry.

The selection of the Microsoft Dynamics GP product and establishment of a commercial relationship with Microsoft and Orion Systems will provide harness racing with greatly extended service capabilities and increased efficiencies on roll-out of the new system in 2008.

Review and revision of internal financial administration policies and procedures are being undertaken in association with the implementation of the new finance system to ensure that maximum operational benefit is obtained from the access to new technologies.

Other activities undertaken by the business unit in 2007 included further refinement of industry budgeting, forecasting and reporting processes; integration of financial processes to support the introduction of the new breeding schemes, negotiation of new personal accident insurance arrangements resulting in a 40% reduction in costs for participants and renegotiation of outstanding club debt to the RDF.

PROMOTIONS & MARKETING

The Promotions and Marketing business unit is staffed by Ms Lauren Sykes with additional assistance being provided by other staff as required.

Several major initiatives were undertaken by the business unit during 2007 including the relaunch of the

NSW Harness Racing Gazette, promotion of the Carnival of Cups and Rising Stars Series, launch of the HRNSW website, production of a quarterly newsletter to advise Members of Parliament of harness racing activities in their electorates and submission of proposals to several potential sponsors.

The unit was also heavily engaged in working with clubs on joint promotions and marketing activities, and with the various industry associations on their communication and sponsorship efforts.

RACING POLICY & OPERATIONS

The Racing Policy & Operations business unit is headed by Mr Adam Fairley assisted by a Business Analyst.

The role of the business unit is to prepare policy on issues such as handicapping, race scheduling and other matters associated with the commercial delivery of the racing product as well as the day-to-day management of breeding schemes and, issue and redemption of State Bred Bonus Certificates.

During the year the unit played a major role in the establishment and operation of Handicapping and Race Programming Committees with representation from clubs, industry associations and the GHRRA.

The purpose of the committees is to provide an operational forum for the analysis of race policy and procedures and formulation of initiatives to improve both the quality and commercial return of harness racing.

The business unit is also responsible for preparing a wide variety of statistical and operational reports for the Board, Executive and clubs on racing and racing-related matters including turnover analysis, horse population movements and club performance to agreed KPIs.

Corporate governance is central to ensuring the protection and enhancement of industry interests.

In this respect 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;
- 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 STRUCTURE

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

On appointment the four industry-nominated members 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.

Board members are directly involved in providing representation for the NSW industry on bodies such as Racingcorp, the Australian Harness Racing Council, Interdominion Harness Racing Council, as well as a variety of internal and external committees.

During 2008 the Harness Racing Act 2002 which established HRNSW as a separate body responsible for the commercial management of the industry is subject to a five year statutory review.

HRNSW will be making a submission to Government on the review of the Act for, among other things, revisions to the provisions relating to the Board to improve the continuity and strength of the current corporate governance model.

MEETINGS

Ordinarily HRNSW conducts Board Meetings on the last Friday of every month. In special circumstances where matters must be considered outside this timeframe, the Board holds special Board Meetings either in person or by teleconference.

Regular and special meeting attendances for 2007 follow:

Board Member	Normal Meetings	Tele Conference	Special Meetings	Total Attended
G Campbell	12	2	3	17
A Briggs	12	2	3	17
R Corrie	11	2	3	16
R Horne	12	2	3	17
R Nalder	12	2	3	17



POLICIES & PROCEDURES

The Board and staff of HRNSW are bound by confidentiality agreements and a Code of Conduct.

The Code of Conduct is reviewed annually for relevance and applicability in light of ever-changing business and personal responsibilities and requirements.

In addition a Register of Pecuniary Interests is maintained requiring disclosure of any personal interests that may be construed to or which may result in a conflict of interest in the fulfilment of duties as members and staff of HRNSW.



HRNSW BOARD

Independent Chairman, **Graeme Campbell**, has first hand knowledge of the industry as an owner of standardbreds. With more than 30 years high level business experience in accounting and finance, Mr Campbell was until recently 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.

Allan Briggs was appointed to the Board as the nominee of the TAB Clubs and has prior Board experience as Deputy Chairman of HRNSW from 1996-1998. Mr Briggs is well credentialed in race matters, being a race analyst and former President of the Newcastle Harness Racing Club.

Robert Corrie from the Central West of NSW is serving his second term on the Board following renomination by the Country Clubs. Mr Corrie is a former President of the Peak Hill Harness Racing Club and previously served for five years on the Boards of HRNSW and the HRA.

Rex Horne is the Vice President of the New South Wales Harness Racing Club which nominated him for a position on the Board of HRNSW. Mr Horne has been the Chairman of the NSW TAB Clubs Association, is a former delegate to the Interdominion Harness Racing Council, and was formerly an Alternate Director on the previous HRNSW Board.

Rob Nalder was appointed to the Board to represent the interests of industry participants. As a former secretary of the NSW Standardbred Owners and Breeders Association and possessed with over 30 years experience as a breeder and owner, Mr Nalder combines relevant, in-depth industry experience with commercial acumen developed as a private businessman.



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RACECOURSE DEVELOPMENT FUND

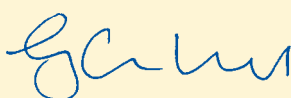
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The Members' of Harness Racing New South Wales (HRNSW)
present their report for the financial year ended 30 June 2007

1. HRNSW is a statutory corporation (entity) constituted under the Harness Racing Act 2002.
2. The Members of HRNSW in office at the date of this report are:
Graeme Campbell – Chairman
Robert Nalder
Rex Horne
Robert Corrie
Allan Briggs
3. 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,
 - Development and review of policy in relation to the breeding and handicapping of harness racing horses, and
 - During the year HRNSW disposed of its half share interest in the RISE joint venture which owns and develops harness racing administration software and a related website.
4. The deficit for the year amounted to \$351,159 (2006 surplus \$323,870).
5. There have been no significant changes in the state of affairs of the entity during the year apart from the disposal of the half share in RISE referred to in 3 above.
6. The entity employed nine employees as at 30 June 2007. As at the date of this report the entity had nine employees.

7. There are no matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect:
 - i) the operation of the entity
 - ii) the results of these operations
 - iii) the state of affairs of the entity, in future years
8. 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.
9. Member emoluments are shown in the attached financial statements.
10. There are no likely developments which will affect the operations of the entity in subsequent years.
11. 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.

Signed in accordance with a resolution of the Members at Bankstown, this 24 August 2007.



Graeme Campbell – Chairman



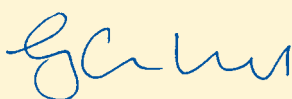
Robert Nalder – Member

The Members of Harness Racing New South Wales (HRNSW) present their declaration for the financial year ended 30 June 2007

In the opinion of the Members of the entity -

- a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial performance of the entity for the year ended 30 June 2007,
- b) the accompanying balance sheet is drawn up so as to give a true and fair view of the state of affairs of the entity as at 30 June 2007,
- c) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due, and
- d) the financial statements have been prepared in accordance with Accounting Standards in Australia.

Signed in accordance with a resolution of the Members at Bankstown,
this 24 August 2007



Graeme Campbell – Chairman



Robert Nalder - Member

Lead Auditor's independence declaration under Section 307C of the Corporations Act 2001

To the Members of Harness Racing New South Wales:

I declare that, to the best of my knowledge and belief, in relation to the audits for the financial year ended 30 June 2007 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audits; and
- no contraventions of any applicable code of professional conduct in relation to the audits.



David Gallery
Partner

Nexia Court & Co
Chartered Accountants
Sydney
Dated: 24 August 2007

Independent Auditor's 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 'company') which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity, and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes (1 to 14), and the members' declaration, (set out on pages 47 to 63), of the group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

MEMBERS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The members of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. 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 group and 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 report. 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 the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the members of Harness Racing New South Wales on 7 July 2007, 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 New South Wales is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the company's and the group's financial position as at 30 June 2007 and of their performance for the financial year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b the financial report of the group and company also comply with International Financial Reporting Standards as disclosed in note 2(a).



David Gallery
Partner

Nexia Court & Co
Chartered Accountants
Sydney
Dated: 24 August 2007

HARNESS RACING NEW SOUTH WALES
INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
REVENUE FROM CONTINUING OPERATIONS			
Product Fee	4a	25,942,444	25,169,094
Wagering Incentive Fee	4a	6,268,520	6,151,597
Interest Earned		48,161	41,779
Grants Received - Racecourse Development Fund	4b	241,669	1,384,915
Grants Received - Industry Funds	4c	175,000	249,500
NSW Harness Racing Gazette	4d	220,116	217,452
RISE Asset Contribution	4e	-	391,559
Profit on Disposal of Assets	4f	131,538	-
Other Income		28,778	213,457
Total Revenue		33,056,226	33,819,353
EXPENSES FROM CONTINUING OPERATIONS			
HRNSW Distribution to Clubs	5a	26,344,566	27,018,011
to Industry Funds	5b	1,901,858	1,888,905
to Racecourse Development Fund	5c	635,181	622,578
Greyhound & Harness Racing Regulatory Authority	5d	2,200,000	2,338,724
Repayment re FY2006 Distribution Top-up	5e	300,000	-
AHRC Membership Levy	4e	74,068	72,844
Employee Salaries and Related Expenses	5g	615,857	427,705
Members Fees	5h	79,060	92,445
NSW Harness Racing Gazette		227,672	206,110
Postage, Printing & Stationery		77,400	67,390
Travel	5i	50,672	69,390
Consultancy & Contractors		10,993	171,502
Building Costs		77,427	69,390
Equipment & Communication Costs		65,959	87,866
Write-down investment in RISE joint venture	9	-	23,097
Other Expenses	5j	746,672	339,526
Total Expenses		33,407,385	33,495,483
OPERATING (LOSS)			
from continuing operations		(351,159)	323,870

The accompanying notes form part of these statements

HARNESS RACING NEW SOUTH WALES
BALANCE SHEET
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
ASSETS			
CURRENT ASSETS			
Cash	6	67,828	155,873
Receivables	7	8,337,099	8,992,604
Other		23,158	20,077
Total Current Assets		8,428,085	9,168,554
NON- CURRENT ASSETS			
Property, Plant and Equipment	8	328,039	112,409
RISE Investment	9	-	368,462
Other Financial Assets		766	766
Total Non-Current Assets		328,805	481,637
TOTAL ASSETS		8,756,890	9,650,191
LIABILITIES			
CURRENT LIABILITIES			
Payables	10	8,480,039	9,035,958
Income Received in Advance	11	22,101	28,344
Provision for Employee Benefits		47,679	27,659
Total Current Liabilities		8,549,819	9,091,961
TOTAL LIABILITIES		8,549,819	9,091,961
NET ASSETS		207,071	558,230
EQUITY			
Accumulated Surplus		207,071	558,230
TOTAL EQUITY		207,071	558,230

The accompanying notes from part of these statements

HARNESS RACING NEW SOUTH WALES
STATEMENT OF CHANGES IN EQUITY
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	2007 \$	2006 \$
Total equity at the beginning of financial year	558,230	234,360
(Loss)/Surplus for the year	(351,159)	323,870
Total recognised income and expense for the year	(351,159)	323,870
Total equity at the end of the financial year	207,071	558,230

CASH FLOW STATEMENT
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts – Product Fee & Wagering Incentive Fee		32,357,436	31,635,965
Receipts from Other Operating Income		678,941	90,717
Interest Received		48,161	41,779
Grants Received		416,669	1,634,415
Receipts from Clubs for Prizemoney Distribution		20,125,231	21,104,824
HRNSW Distribution to Clubs		(27,391,119)	(27,529,372)
HRNSW Distribution to Industry Funds		(2,432,367)	(1,680,725)
HRNSW Distribution to Racecourse Development Fund		(1,034,714)	(565,955)
GHRRA		(2,080,000)	(2,338,724)
Payment of Prizemoney to Participants		(19,345,023)	(21,104,824)
Payments to Suppliers & Employees		(1,682,034)	(974,855)
Net Cash inflows from (outflows to) Operating Activities	14	(338,819)	313,245
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans made from Benevolent Fund		-	-
Net Cash inflows from (outflows to) Financing Activities		-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Property, Plant & Equipment		(249,226)	(438,795)
Receipts from Asset Sales		500,000	-
Net Cash inflows from (outflows to) Investing Activities		250,774	(438,795)
Net Increase (Decrease) in Cash Held		(88,045)	(125,550)
Cash at the Beginning of the year		155,873	281,423
Cash at the End of the Year	6	67,828	155,873

The accompanying notes form part of these statements

HARNESS RACING NEW SOUTH WALES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

1. THE REPORTING ENTITY

a) Harness Racing New South Wales (HRNSW)

HRNSW is incorporated as a statutory body under the Harness Racing Act 2002

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 Funds

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

2. STATEMENT 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 Accounting Standards, Urgent Issues Group consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

a) Australian Accounting Standards

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRSs ensures that the financial statements and notes of HRNSW comply with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, and, except where stated, do not take account of the changing money value or current valuations of non-current assets.

b) Income Tax

HRNSW is registered as a not-for-profit organisation with the Australian Taxation Office. Income is not subject to income tax.

c) Receivables

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

HARNESS RACING NEW SOUTH WALES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

d) Property, Plant and Equipment

Property, plant and equipment are measured at cost.

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

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 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.

HARNESS RACING NEW SOUTH WALES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

h) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of GST, except:

- the amount of GST incurred by HRNSW as a purchaser, if any, that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- receivables and payables are stated with the amount of GST included.

i) Cash

Cash includes cash on hand and at call in deposits with banks or financial institutions and investments in money market instruments maturing within less than two months net of bank overdrafts.

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.

m) New Standards and Interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the fund in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing these financial statements:

AASB 101 Presentation of Financial Statements (October 2006) has deleted the Australian specific Illustrative Financial Report Structure and reinstated the current IASB 1 guidance on Illustrative Financial Statement Structure. The revised AASB 101 is applicable for annual reporting periods beginning on or after 1 January 2007.

AASB 7 Financial Instruments: Disclosures (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the fund's financial instruments.

AASB 8 Operating Segments replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the fund as the standard is only concerned with disclosures.

AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 107 Cash Flow Statements,

HARNESS RACING NEW SOUTH WALES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

AASB 119 Employee Benefits, AASB 127 Consolidated and Separate Financial Statements, AASB 134 Interim Financial Reporting, AASB 136 Impairment Assets. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 Operating Segments. This standard is only expected to impact disclosures contained within the financial report.

Interpretation 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Interpretation 10 will become mandatory for the entity's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the entity's first applied the measurement criteria of AASB 136 and AASB 139 respectively (i.e., 1 January 2004 and 1 January 2005, respectively). The adoption of Interpretation 10 is not expected to have any impact on the financial report.

AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 makes amendments to AASB 1-First time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 117 Leases, AASB 118 Revenue, AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, AASB 121 The Effects of Changes in Foreign Exchange Rates, AASB 127 Consolidated and Separate Financial Statement, AASB 131 Interest in Joint Ventures, and AASB 139 Financial Instruments: Recognition and Measurement. AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008.

AASB 2007-2 Amendments to Australian Accounting Standards also amends reference to "UIG Interpretation" to interpretations. This amending standard is applicable to annual reporting periods ending on or after 28 February 2007.

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 2002. 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 Directors on 24 August 2007.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

financial instruments at fair value through profit or loss are measured at fair value.

HARNESS RACING NEW SOUTH WALES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

4. REVENUE

Note	2007	2006
	\$	\$

(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).

(b) Grants Received – Racecourse Development Fund

Funding of Capital Expenditure	241,699	43,025
Funding of TAB Distribution Shortfall i	-	1,038,166
Funding of GHRRA Overspend FY2005	-	303,724
	241,699	1,384,915

i. During the year ended 30 June 2006 the RDF advanced to Harness Racing NSW \$1.038million in consultation with and agreement of the Harness Racing Clubs Committee to top up the distribution for that year. It is the intention of the Board of Harness Racing NSW to repay this advance from future TAB distributions without adversely affecting existing prizemoney levels. This has been treated as income as the repayment of the advance is dependent upon sufficient improvement of the TAB distribution. In the year ended 30 June 2007 an amount of \$300,000 was repaid against this advance.

(c) Grants Received – Industry Funds

Centralised Stakes Payment System	155,000	155,000
Sires Stakes Management Fee	20,000	94,500
	175,000	249,500

HARNESS RACING NEW SOUTH WALES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
(d) Harness Racing Gazette Income			
Subscriptions		100,195	87,256
Advertising		61,558	52,111
Regulatory Notices		-	15,000
Sponsorships & Donations		58,363	63,085
		220,116	217,452

(e) RISE Asset Contribution

During the year ended 30 June 2006 HRNSW acquired, by non-reciprocal transfer, a half share in a joint venture which owns harness racing administration software and operates a national harness racing website

	9	-	391,559
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(f) Profit on Sale of Assets

During the year ended 30 June 2007 HRNSW sold its half share in a joint venture which owns harness racing administration software and operates a national harness racing website. The amount reflected in the income statement is the sale price less the carrying value of the asset

		131,538	-
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5. OPERATING EXPENSES

(a) HRNSW Distribution to Clubs

NSWHRC – Harold Park	11,367,515	11,707,031
NSWHRC – Menangle Park	903,146	957,422
Bankstown	1,114,686	1,061,854
Bathurst	1,851,884	1,809,084
Bulli	1,033,990	1,061,854
Dubbo	463,655	388,631
Newcastle	3,478,548	3,320,336
Parkes	421,255	388,631
Penrith	2,361,584	2,441,422
Tamworth	734,006	733,350
Wagga Wagga	1,365,890	1,455,133
Young	481,891	511,263
Non-TAB Clubs	694,116	1,182,000
Industry Funds - Carnival of Cups	42,400	-
Washed out TAB meetings	30,000	-
	26,344,566	27,018,011

HARNESS RACING NEW SOUTH WALES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

Note	2007 \$	2006 \$
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(b) HRNSW 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

	1,905,551	1,888,905
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The amount distributed to Industry Funds is equal to 6% (2005 6%) of the HRNSW share of the TAB Distribution

(c) HRNSW Distribution to Racecourse Development Fund

HRNSW is required to distribute a percentage of its share of the TAB Distribution to the Racecourse Development Fund to fund capital projects approved by HRNSW on behalf of the industry

	635,183	622,578
--	---------	---------

(d) Greyhound & Harness Racing Regulatory Authority

The amount paid to the Greyhound & Harness Racing Regulatory Authority (GHRRA) for provision of regulatory functions and services is determined annually by the Minister for Gaming and Racing

	2,080,000	2,035,000
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The amount paid to the GHRRA determined by the Minister for Gaming and Racing in relation to a budget overspend in 2004-05

	-	303,724
--	---	---------

The GHRRA has indicated that there will be an over-run of their expenditure for 2006-07. An estimated amount has been provided for in these accounts

	120,000	-
	2,200,000	2,338,724

(e) Repayment of FY2006 Distribution Top-up

During the year ended 30 June 2006 the RDF advanced to Harness Racing NSW \$1.038million in consultation with and agreement of the Harness Racing Clubs Committee to top up the distribution for that year. It is the intention of the Board of Harness Racing NSW to repay this advance from future TAB distributions without adversely affecting existing prizemoney levels. This advance was treated as income as the repayment of the advance is dependent upon sufficient improvement of the TAB distribution, therefore the repayments are treated as an expense.

	300,000	-
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HARNESS RACING NEW SOUTH WALES
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
(f) AHRC Membership Levy			
NSW membership of the Australian Harness Racing Council (AHRC) is shared equally between HRNSW and GHRRA			
		74,068	72,844
(g) Employee Salaries and Related Expenses			
Salaries		563,423	384,734
Superannuation		43,834	34,056
Workers Compensation Insurance, Payroll Tax and FBT		8,600	8,915
		615,857	427,705
(h) Member Fees			
The Members in office during the financial year were:			
Graeme Campbell – Chairman		30,000	16,731
B Paddock (Chairman 2005/06)		-	28,074
J Baker		-	7,018
R Corrie		12,265	11,910
C Murray		-	7,018
J Porter		-	7,018
Robert Nalder		12,265	4,892
Rex Horne		12,265	4,892
Allan Briggs		12,265	4,892
		79,060	92,445
No Member of HRNSW is a full-time employee and no Member has received a salary			
(i) Travel			
Employees		33,152	24,649
Members		17,520	44,741
		50,672	69,390

HARNESS RACING NEW SOUTH WALES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
(j) Other Expenses			
Advertising		770	10,332
Audit Fees		19,485	20,000
Bad and Doubtful Debts		4,192	29,137
Bank Charges		11,542	14,806
Computer Software Licence Fees & Processing Charges		100,253	76,684
Depreciation		32,935	15,728
Legal Fees		9,650	31,366
Media & Communications		-	17,894
Office Amenities		2,614	6,412
Other Fees Paid or Payable to Auditors		-	7,500
Professional Indemnity Insurance		9,068	12,585
Rugs & Trophies		-	30,310
Subscriptions		387	1,586
Training		3,450	31
Benevolent Fund Expenses		29,765	6,000
Distribution of RISE Sale Proceeds	9	500,000	-
Sundry Expenses		22,561	59,155
		746,672	339,526

6. CASH

Cash at bank	67,628	155,673
Cash on hand	200	200
	67,828	155,873

The entity has an overdraft limit of \$250,000 at the bank (2006 Nil)
– unused at year end.

7. RECEIVABLES

Trade Debtors	1,112,760	1,546,807
Less: Provision for Doubtful Debts	(40,000)	(40,000)
NSW Racing Pty Limited (TAB Distribution)	7,219,321	7,365,793
Australian Taxation Office		-
Benevolent Fund	12 39,058	39,058
Other Debtors	5,960	80,946
	8,337,099	8,992,604

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.

HARNESS RACING NEW SOUTH WALES
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
8. PROPERTY, PLANT & EQUIPMENT			
Plant & Equipment – At Cost			
Balance at the Beginning of the Year		152,645	105,409
Additions		249,226	47,236
Disposals		(7,064)	-
Balance at the End of the Year		394,807	152,645
Accumulated Depreciation			
Balance at the Beginning of the Year		40,236	24,508
Depreciation Expense		32,935	15,728
Disposals		(6,403)	
Balance at the End of the Year		66,768	40,236
Written Down Value at the End of the Year		328,039	112,409

9. RISE INVESTMENT

During the year ended 30 June 2006 HRNSW acquired control over the NSW half share in a joint venture between NSW and Victoria to own and manage the harness racing administration software known as HaRVEY and the national harness racing website www.harness.org.au at no significant reciprocal cost to HRNSW. The asset was subsequently sold during the year ended 30 June 2007. Upon the sale of the asset the Board resolved to distribute the sale proceeds of \$500,000 between the Racecourse Development Fund (\$300,000) and Industry Funds (\$200,000)

Balance at the Beginning of the Year		368,462	
Acquired during the year	4(e)	-	391,559
Less: Write down of carrying value since acquisition		-	(23,097)
Disposed during the year		(368,462)	
Written Down Value at the End of the Year		-	368,462

As a not-for-profit entity, the Members, in accordance with the accounting policy 2(e), assess the carrying value each year against the amortised replacement value and write down the carrying value if necessary.

10. PAYABLES

Australian Taxation Office	167,488	209,534
Prizemoney Payments	780,209	849,308
HRNSW Distribution	6,701,467	7,054,924
Other Creditors	830,873	922,192
	8,480,037	9,035,958

HARNESS RACING NEW SOUTH WALES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
11. INCOME RECEIVED IN ADVANCE			
NSW Harness Racing Gazette Subscriptions		22,101	28,344

12. BENEVOLENT FUND

Interest Earned	13,070	5,599
Less Administration Expenses	(6,000)	(6,000)
Less Disbursements Made	(23,765)	-
Operating (Deficiency) Surplus	(16,695)	(401)
Accumulated Surplus – brought forward	191,547	191,948
Accumulated Surplus – carried forward	174,852	191,547
Represented by:		
Cash	6,300	309
Other Financial Assets		
Investments	144,530	158,214
Loans Receivables (Current)	38,488	38,488
Loans Receivables (Non-Current)	766	766
Transferable Funeral Certificates	1,440	1,440
Other Debtors	570	570
Liabilities – Current Liabilities – Payables	(17,242)	(8,240)
Net Assets	174,852	191,547

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.

13. FINANCIAL INSTRUMENTS

(a) Credit Risk Exposure

The credit risk of the financial assets included in the Balance Sheet of HRNSW is the carrying amount (net of any provision for loss) based on the historic cost. The maximum exposure to a single debtor is NSW Racing Pty Limited (TAB Distribution) \$7,219,321 (2006 \$7,365,793).

(b) Interest Rate Risk Exposures

Exposures arise from assets bearing variable interest rates. HRNSW's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below:

HARNESS RACING NEW SOUTH WALES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

		Variable Interest Rate	Fixed Interest Rate		Non Interest Bearing	
As at 30.6.2007	Weighted Average %	1 Year or Less \$	1 Year or Less \$	Over 1 to 5 Years \$	Over 1 to 5 Years \$	Total \$
Financial Assets						
Cash	6.22	67,628			200	67,828
Other Financial Assets						
Trade Debtors					1,072,760	1,072,760
Loans Receivable					39,254	39,254
Other Receivables					7,225,850	7,225,850
		67,628	-	-	8,338,064	8,405,692
Financial Liabilities						
Creditors					1,764,437	1,764,437
Accrued Expenses					6,715,600	6,715,600
		-	-	-	8,480,037	8,480,037
Net Financial Assets / (Liabilities)		67,628	-	-	(141,973)	(74,345)
As at 30.6.2006	Weighted Average %	1 Year or Less \$	1 Year or Less \$	Over 1 to 5 Years \$	Over 1 to 5 Years \$	Total \$
Financial Assets						
Cash	5.51	155,673			200	155,873
Other Financial Assets						
Trade Debtors					1,506,807	1,506,807
Loans Receivable					39,254	39,254
Other Receivables					7,446,543	7,446,543
		155,673	-	-	8,992,804	9,148,477
Financial Liabilities						
Creditors					2,016,103	2,016,103
Accrued Expenses					7,089,855	7,089,855
		-	-	-	9,105,958	9,105,958
Net Financial Assets / (Liabilities)		155,673	-	-	(113,154)	42,519

(c) Net Fair Value of Financial Assets and Liabilities

The carrying costs of all financial assets and liabilities are fair value unless stated otherwise.

HARNESS RACING NEW SOUTH WALES
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

14. CASH FLOW STATEMENT

	2007 \$	2006 \$
Reconciliation of Net Cash Provided By (Used In) Operating Activities to Operating Surplus (Deficit)		
Operating Surplus / (Deficit)	(351,159)	323,870
Depreciation and Amortisation	32,935	38,825
Less Profit on Disposal of Assets	(130,877)	-
Change in Assets and Liabilities		
Decrease (Increase) in Receivables	655,505	(271,212)
Decrease (Increase) in Prepayments and Other Assets	(3,081)	(18,637)
(Decrease) Increase in Creditors	(555,919)	220,525
(Decrease) Increase in Income Received in Advance	(6,243)	8,368
(Decrease) Increase in Employee Benefits	20,020	11,506
Net Cash Provided By (Used in) Operating Activities	(338,819)	313,245

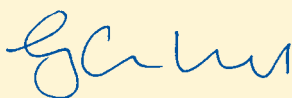
END OF AUDITED FINANCIAL STATEMENTS

The Members of Harness Racing New South Wales (HRNSW) present their declaration for the Harness Racing Racecourse Industry Funds for the financial year ended 30 June 2007

In the opinion of the Members of the entity -

- a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial performance of the entity for the year ended 30 June 2007,
- b) the accompanying balance sheet is drawn up so as to give a true and fair view of the state of affairs of the entity as at 30 June 2007,
- c) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due, and
- d) the financial statements have been prepared in accordance with Accounting Standards in Australia.

Signed in accordance with a resolution of the Members at Bankstown,
this 24 August 2007



Graeme Campbell - Chairman



Robert Nalder - Member

Independent Auditor's Report Harness Racing Industry Funds

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Harness Racing Industry Funds (the 'entity') which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity, and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes (1 to 8) and the members' declaration, (set out on pages 67 to 76), of the entity.

MEMBERS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The Members of HRNSW are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. 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 entity, comprising the financial statements and notes, complies with International Financial Reporting Standards.

AUDITORS' RESPONSIBILITY

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.

Independent Auditor's Report Harness Racing Industry Funds (contd.)

INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the members of HRNSW on 7 July 2007, would be in the same terms if provided to the members as at the date of this auditor's report.

AUDITORS' OPINION ON THE FINANCIAL REPORT

In our opinion:

- a the financial report of Harness Racing Industry Funds is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the company's and the group's financial position as at 30 June 2007 and of their performance for the financial year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b the financial report of the group and company also comply with International Financial Reporting Standards as disclosed in note 2(a).

Nexia Court & Co
Chartered Accountants
Sydney
Dated: 24 August 2007



David Gallery
Partner

HARNESS RACING INDUSTRY FUNDS
INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
REVENUE FROM CONTINUING OPERATIONS			
HRNSW Distribution	3a	1,905,551	1,888,245
Foal and Sire Registration Fee		122,142	199,760
Interest Earned		63,931	66,217
RISE Proceeds	3b	200,000	-
Other income		-	-
		2,291,624	2,154,222
EXPENSES FROM CONTINUING OPERATIONS			
Prizemoney Subsidies	4a	681,796	735,424
Breeders' Bonus Incentive Certificates	1e	745,773	932,096
Grants and Other Subsidies	4b	465,481	667,098
Carnival of Cups		257,066	-
Management Fee / Bank Charges	4c	24,570	97,873
		2,174,686	2,432,491
Surplus / (Deficiency) from continuing operations		116,938	(278,269)

The accompanying notes from part of these statements

HARNESS RACING INDUSTRY FUNDS
BALANCE SHEET
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	8	620,922	312,517
Receivables	5	934,769	932,569
Total Current Assets		1,555,691	1,245,086
TOTAL ASSETS		1,555,691	1,245,086
LIABILITIES			
CURRENT LIABILITIES			
Income received in advance	6	98,091	98,282
Payables		150,394	178,039
Provision for unredeemed Breeders Bonus Incentive Certificates	7	599,413	689,543
Total Current Liabilities		847,898	965,864
NON-CURRENT LIABILITIES			
Income received in advance	6	469,888	158,255
Total Non-Current Liabilities		469,888	158,255
TOTAL LIABILITIES		1,317,786	1,124,119
NET ASSETS		237,905	120,967
EQUITY			
Accumulated Surplus		237,905	120,967
TOTAL EQUITY		237,905	120,967

The accompanying notes form part of these statements

HARNESS RACING INDUSTRY FUNDS

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	2007 \$	2006 \$
Total Equity at the beginning of financial year	120,967	399,236
Surplus / (Deficiency) for the year	116,938	(278,269)
Total recognised income and expense for the year	116,938	(278,269)
Total Equity at the end of the financial year	237,905	120,967

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
HRNSW Distribution		2,236,200	1,652,142
Foal and Sire Registration Fees and Other Income		433,584	185,110
Interest on Investments and Bank Account		64,127	66,217
Other		(133,415)	-
Payments			
Breeders' Bonus Incentive Certificates Redeemed		(835,903)	(929,678)
Grants Made and Prizemoney Subsidies		(976,777)	(1,210,192)
Other		(479,411)	(97,873)
Net cash from operating activities	8(b)	308,405	(334,274)
Net Increase (Decrease) in Cash held		308,405	(334,274)
Cash and Cash Equivalents at the Beginning of the Year		312,517	646,791
Cash and Cash Equivalents at the End of the Year 8(a)		620,922	312,517

The accompanying notes form part of these statements

HARNESS RACING INDUSTRY FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

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) Australian Accounting Standards

Australian Accounting Standards include Australian equivalent to International Financial Reporting Standards (AIFRS). Compliance with AIFRSs ensures that the financial statements and notes of the Harness Racing Industry Funds comply with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, and, except where stated, do not take account of the changing money value or current valuations of non-current assets.

(c) Revision of Accounting Estimates

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

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits held, at calls, 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, and bank overdrafts.

(e) Breeders' Bonus Incentive Certificates

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

(f) 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 6) and transferred to income in the years of competition.

HARNESS RACING INDUSTRY FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

(g) Income Tax

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

(h) 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.

(i) Goods and Services Tax

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 balance sheet. 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.

(j) New Standards and Interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the fund in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing these financial statements:

AASB 101 Presentation of Financial Statements (October 2006) has deleted the Australian specific Illustrative Financial Report Structure and reinstated the current IASB 1 guidance on Illustrative Financial Statement Structure. The revised AASB 101 is applicable for annual reporting periods beginning on or after 1 January 2007.

AASB 7 Financial Instruments: Disclosures (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the fund's financial instruments.

AASB 8 Operating Segments replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the fund as the standard is only concerned with disclosures.

HARNESS RACING INDUSTRY FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 107 Cash Flow Statements, AASB 119 Employee Benefits, AASB 127 Consolidated and Separate Financial Statements, AASB 134 Interim Financial Reporting, AASB 136 Impairment Assets. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 Operating Segments. This standard is only expected to impact disclosures contained within the financial report.

Interpretation 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Interpretation 10 will become mandatory for the entity's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the entity's first applied the measurement criteria of AASB 136 and AASB 139 respectively (i.e., 1 January 2004 and 1 January 2005, respectively). The adoption of Interpretation 10 is not expected to have any impact on the financial report.

AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 makes amendments to AASB 1-First time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 117 Leases, AASB 118 Revenue, AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, AASB 121 The Effects of Changes in Foreign Exchange Rates, AASB 127 Consolidated and Separate Financial Statement, AASB 131 Interest in Joint Ventures, and AASB 139 Financial Instruments: Recognition and Measurement. AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008.

AASB 2007-2 Amendments to Australian Accounting Standards also amends reference to "UIG Interpretation" to interpretations. This amending standard is applicable to annual reporting periods ending on or after 28 February 2007.

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 ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Harness Racing Act 2002. 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 Members on 24 August 2007.

HARNESS RACING INDUSTRY FUNDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

(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 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

(a) HRNSW Distribution

Funds totalling 6% (2006 6%) of the HRNSW share of the TAB Distribution were provided by HRNSW.

(b) RISE Proceeds

During Fiscal Year 2007 HRNSW disposed of its share in the RISE Joint Venture with Harness Racing Victoria. Consequently, the Board of HRNSW resolved to distribute to Industry Funds the sum of \$200,000 from the sale proceeds of the joint venture.

4. EXPENSES

(a) Prizemoney Subsidies

	2007 \$	2006 \$
Bathurst Gold Grown	40,000	40,000
Trotters Foundation Series	40,000	40,000
Nursery Stakes	-	3,500
Sire Stakes Series (excluding rugs and trophies)	586,796	638,288
Leeton Breeders Plate	15,000	13,636
	681,796	735,424

HARNESS RACING INDUSTRY FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	2007 \$	2006 \$
(b) Grants & Other Subsidies		
Centralised Stakes Payment System	155,000	155,000
Harness Racing Awards	40,119	23,959
Wagga Wagga HRC Video Fees	-	38,000
Marketing & Media	33,520	49,446
Foal & Sire Registration Subsidies	-	150,750
NSW Mini-Trotting Association	11,927	12,000
Club Financial Analysis	-	2,830
Country Cups Sponsorship	-	150,000
Broken Hill Harness Racing Club	40,000	-
Fairfield Training Facility	25,000	30,568
Maitland Training Facility	50,000	54,545
Sires Stakes Rugs & Trophies	27,521	-
Marker Pegs	27,047	-
Breeding Scheme Changes	33,357	-
NSW Rising Stars Series	8,140	-
SBBS Certificate Printing	4,965	-
NSW Junior Driver Award	4,545	-
Miscellaneous	4,340	-
	465,481	667,098

(c) Management Fee

A management fee is paid to HRNSW for the provision of services. Services provided include the administration of the Sires Stakes Series, the Breeders' Challenge Series and State Bred Bonus Scheme. Other expenses incurred were bank charges \$69 (\$111) and audit fees \$4,500 (\$2,500 of this sum is for services relating to the previous fiscal year).

5. RECEIVABLES

HRNSW Distribution	459,310	789,959
Other	475,459	142,240
	934,769	932,199

6. INCOME RECEIVED IN ADVANCE

Retained from foal and sire registration fees received in advance.

Current Liabilities	98,091	98,282
Non-Current Liabilities	469,888	158,255
	567,979	256,537

HARNESS RACING INDUSTRY FUNDS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

7. PROVISION FOR UNREDEEMED BREEDERS' BONUS INCENTIVE CERTIFICATES

A NSW State Bred Incentive Scheme awards certificates with a face value of \$2,000 or \$500 each which can be redeemed within two years for face value when used in the purchase of a state-bred foal or payment of a NSW sire service. Certificates issued after 1 October 2006 may be redeemed for cash within three months of the issue date at a discounted rate of 50%. Each certificate is recognised as an expense of \$2,000 at the date of issue.

8. NOTES TO THE CASH FLOW STATEMENT

	2007 \$	2006 \$
(a) Reconciliation of cash		
Cash at bank and on deposit	620,922	312,517
(b) Reconciliation of Net Cash Provided By (Used In) Operating Activities to Surplus from Continuing Activities		
Surplus (Deficiency)	116,938	(278,269)
Net cash provided by operating activities before change in assets and liabilities	-	-
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	(2,200)	(101,916)
Increase (decrease) in payables	(27,645)	58,134
Increase (decrease) in unredeemed bonus incentive certificates	(90,130)	2,418
Increase (decrease) in income received in advance	311,442	(14,641)
Net cash from operating activities	308,405	(334,274)

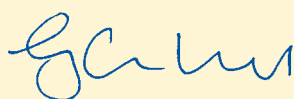
END OF AUDITED FINANCIAL STATEMENTS

The Members of Harness Racing New South Wales (HRNSW) present their declaration for the Harness Racing Racecourse Development Fund for the financial year ended 30 June 2007.

In the opinion of the Members of the entity -

- a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial performance of the entity for the financial year ended 30 June 2007,
- b) the accompanying balance sheet is drawn up so as to give a true and fair view of the state of affairs of the entity as at 30 June 2007,
- c) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due, and
- d) the financial statements have been prepared in accordance with Accounting Standards in Australia.

Signed in accordance with a resolution of the Members at Bankstown,
this 24 August 2007



Graeme Campbell – Chairman



Robert Nalder - Member

Independent Auditors' Report Harness Racing Racecourse Development Fund

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Harness Racing Racecourse Development Fund (the 'entity') which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity, and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes (1 to 10) and the members' declaration, (set out on pages 80 to 89), of the entity.

HRNSW MEMBERS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The members of HRNSW are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. 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 entity, 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 report. 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

Independent Auditors' Report Harness Racing Racecourse Development Fund (contd.)

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 the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the Members of Harness Racing New South Wales on 7 July 2007, 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 is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the entity's financial position as at 30 June 2007 and of its performance for the financial year ended on that date; and ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b the financial report of the entity also complies with International Financial Reporting Standards as disclosed in note 2(a).

Nexia Court & Co
Chartered Accountants
Sydney
Dated: 24 August 2007



David Gallery
Partner

HARNESS RACING RACECOURSE DEVELOPMENT FUND
INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
REVENUE FROM CONTINUING OPERATIONS			
HRNSW Distribution	3	635,184	620,080
Interest Earned		159,959	111,784
Other Income	3	601,264	-
		1,396,407	731,864
EXPENSES FROM CONTINUING OPERATIONS			
Administration Expenses		2,070	6,280
Grants Made	4	734,405	2,018,061
		736,475	2,024,341
Surplus / (Deficiency) from continuing operations		659,932	(1,292,477)

The accompanying notes from part of these statements

HARNESS RACING RACECOURSE DEVELOPMENT FUND
BALANCE SHEET
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents		63,177	741,019
Deposits		2,450,918	1,049,975
Loans Receivables	5	214,793	230,554
Other Receivables	6	583,435	531,424
Total Current Assets		3,312,323	2,552,972
NON-CURRENT ASSETS			
Loan Receivable	5	192,718	221,415
Total Non-Current Assets		192,718	221,415
TOTAL ASSETS		3,505,041	2,774,387
LIABILITIES			
CURRENT LIABILITIES			
Payables		344,837	274,115
Total Current Liabilities		344,837	274,115
NET ASSETS		3,160,204	2,500,272
EQUITY			
Accumulated Surplus		3,160,204	2,500,272
TOTAL EQUITY		3,160,204	2,500,272

The accompanying notes form part of these statements

HARNESS RACING RACECOURSE DEVELOPMENT FUND

STATEMENT IN CHANGES OF EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	2007 \$	2006 \$
Total Equity at the beginning of financial year	2,500,272	3,792,749
Surplus / (Deficiency) for the year	659,932	(1,292,477)
Total recognised income and expense for the year	659,932	(1,292,477)
Total Equity at the end of the financial year	3,160,204	2,500,272

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

Note	2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
HRNSW Distribution	735,943	561,257
Interest on Investments and Bank Account	153,055	150,350
Other	545,044	-
Payments		
Administration Expenses	(2,570)	(6,280)
Grants Made	(607,905)	(2,018,061)
Other	(129,163)	6,060
Net Cash Provided By (Used In) Operating Activities 9a	694,404	(1,306,674)
CASH FLOWS FROM LENDING ACTIVITIES		
Loans Repaid – Receipts	44,458	11,773
Loans Converted to Grants	-	11,571
Loans made (Payments)	-	-
Net Cash Provided By (Used In) Lending Activities	44,458	23,344
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits	(1,416,704)	700,025
Net Cash Provided By (Used In) Investing Activities	(1,416,704)	700,025
Net Increase (Decrease) in Cash Held	(677,842)	(583,305)
Cash and Cash Equivalents at the Beginning of the Year	741,019	1,324,324
Cash and Cash Equivalents at the End of the Year 9b	63,177	741,019

The accompanying notes from part of these statements

HARNESS RACING RACECOURSE DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

1. STATEMENT OF ACCOUNTING POLICIES

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

a) Reporting Identity

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

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

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

b) Australian Accounting Standards

Australian Accounting Standards include Australian equivalent to International Financial Reporting Standards (AIFRS). Compliance with AIFRSs ensures that the financial statements and notes of the Harness Racing Racecourse Development Fund comply with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, and, except where stated, do not take account of the changing money value or current valuations of non-current assets.

(c) Revision of Accounting Estimates

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

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits held, at calls, 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, and bank overdrafts.

HARNESS RACING RACECOURSE DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

(e) Grants

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

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

The RDF also provided financial assistance by means of repayable loans (see Note 4) and grants.

(f) 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, including long term loans, 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.

(g) Income Tax

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

(h) 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.

(i) Goods and Services Tax

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.

HARNESS RACING RACECOURSE DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

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 balance sheet. 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.

(j) New Standards and Interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the fund in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing these financial statements:

AASB 101 Presentation of Financial Statements (October 2006) has deleted the Australian specific Illustrative Financial Report Structure and reinstated the current IASB 1 guidance on Illustrative Financial Statement Structure. The revised AASB 101 is applicable for annual reporting periods beginning on or after 1 January 2007.

AASB 7 Financial Instruments: Disclosures (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the fund's financial instruments.

AASB 8 Operating Segments replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the fund as the standard is only concerned with disclosures.

AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 107 Cash Flow Statements, AASB 119 Employee Benefits, AASB 127 Consolidated and Separate Financial Statements, AASB 134 Interim Financial Reporting, AASB 136 Impairment Assets. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 Operating Segments. This standard is only expected to impact disclosures contained within the financial report.

Interpretation 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Interpretation 10 will become mandatory for the entity's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the entity's first applied the measurement criteria of AASB 136 and AASB 139 respectively (i.e., 1 January 2004 and 1 January 2005, respectively). The adoption of Interpretation 10 is not expected to have any impact on the financial report.

HARNESS RACING RACECOURSE DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 makes amendments to AASB 1-First time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 117 Leases, AASB 118 Revenue, AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, AASB 121 The Effects of Changes in Foreign Exchange Rates, AASB 127 Consolidated and Separate Financial Statement, AASB 131 Interest in Joint Ventures, and AASB 139 Financial Instruments: Recognition and Measurement. AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008.

AASB 2007-2 Amendments to Australian Accounting Standards also amends reference to "UIG Interpretation" to interpretations. This amending standard is applicable to annual reporting periods ending on or after 28 February 2007.

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 ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Harness Racing Act 2002. 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 24 August 2007.

(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 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. OPERATING INCOME

(a) HRNSW Distribution

Funds totalling 2% (2006 2%) of the TAB Distribution were provided by HRNSW.

HARNESS RACING RACECOURSE DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

(b) RISE Proceeds

During Fiscal Year 2007 HRNSW disposed of its share in the RISE Joint Venture with Harness Racing Victoria. Consequently, the Board of HRNSW resolved to distribute to the Racecourse Development Fund the sum of \$300,000 from the sale proceeds of the joint venture.

(c) Other Income

	Note	2007 \$	2006 \$
Recovery of contingent liability for HRNSW	7	300,000	-
Proceeds from RISE	3 (b)	300,000	-
Repayment of GHRRA of 2006 surplus		1,264	-
		601,264	-

4. EXPENSES

Grants Made

Grants		734,405	914,552
Distribution top up to HRNSW (contingent asset)	8	-	1,038,166
Interest Free Interminable Loans	8	-	65,343
		734,405	2,018,061

5. LOANS RECEIVABLE

Balance at the Beginning of the Year		451,969	475,313
Loans Made During the Year		-	-
Loans Converted to Grants		-	(11,571)
Loans Repaid During the Year		(44,458)	(11,773)
Balance at the End of the Year		407,511	451,969
Of which:			
Balance Owing Due Within One Year		214,793	230,554
Balance Owing Due Longer than One Year		192,718	221,415
		407,511	451,969

6. OTHER RECEIVABLES

HRNSW Distribution		153,104	253,863
Interest Accrued on Bank and Investments		7,092	188
Other		423,239	277,373
		583,435	531,424

HARNESS RACING RACECOURSE DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

7. CONTINGENT LIABILITIES & COMMITMENTS FOR EXPENDITURE

Note	2007 \$	2006 \$
Grants, Interest Free Interminable Loans and Repayable Loans approved but not disbursed.	-	15,369

In 2005 the RDF was aware of a claim by the GHRRA for additional funding in respect of 2004/05. This amount has since been determined by the Minister and paid. The RDF is not aware of any such claim for 2006/07. There are no other contingent liabilities.

8. CONTINGENT ASSETS

Interest Free Interminable Loans

The RDF and its predecessor have made Interest Free Interminable Loans (IFIL). These loans are not repayable except in the exceptional circumstances which are described in Note 1(e). The loans subject to this condition as at 30 June 2007 amount to:

Carried Forward from previous year	49,865,167	49,799,824
IFIL made between 1 July 2006 and 30 June 2007 4	-	65,343
	49,865,167	49,865,167

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.

During the year ended 30 June 2006 the RDF advanced to Harness Racing NSW \$1.038million in consultation with and agreement of the Harness Racing Clubs Committee to top up the distribution for that year. It is the intention of the Board of Harness Racing NSW to repay this advance from future TAB distributions without adversely affecting existing prizemoney levels. This has been treated as a contingent asset as the repayment of the advance is dependent upon sufficient improvement of the TAB distribution. During the year ended 30 June 2007, \$300,000 of this contingent asset was repaid by Harness Racing NSW.

9. CASH FLOW STATEMENT

a. Reconciliation of New Cash Provided By (Used In) Operating Activities to Operating Surplus (Deficit)

Operating Surplus / (Deficiency)	659,932	(1,292,477)
Changes in Assets and Liabilities		
(Increase) Decrease in Receivables	(36,250)	(253,686)
Increase (Decrease) in Payables	70,722	239,489
Net Cash Provided By (Used In) Operating Activities	694,404	(1,306,674)

b. Cash and Cash Equivalents includes the following:

Cash at Bank and on Deposit	63,177	741,019
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HARNESS RACING RACECOURSE DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

10. FINANCIAL ASSISTANCE PAYMENTS & COMMITMENTS OUTSTANDING

Club	Project	Commitment B/ Forward from 30/6/2007 \$	Funding Approved 2006/07 \$	Payments Made 2006/07 \$	Commitment Remaining 30/6/2007 \$
Morisset	Track resurfacing		6,314	6,314	-
Bankstown	Tractor		5,100	5,100	-
Bathurst	Track rectification		16,285	16,285	-
Young	Equipment Storage Shed		21,407	21,407	-
Penrith	Track resurfacing		7,273	7,273	-
Fairfield	General Maintenance		2,500	2,500	-
Eugowra	Portable Stand		2,000	2,000	-
Newcastle	Track resurfacing		6,343	6,343	-
			67,222	67,222	
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		67,222	67,222	-
Assistance all projects			67,222	67,222	-

END OF AUDITED FINANCIAL STATEMENTS

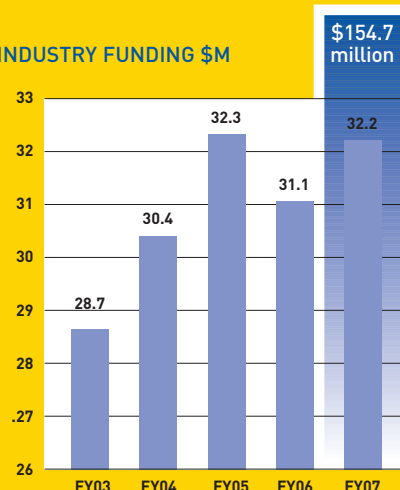
HRNSW AT A GLANCE

INDUSTRY FUNDING

Industry funding has grown over the past 5 years by \$3.5 million or 12.2%. In the two years prior to the SKY/TVN dispute, growth in industry funding was averaging 6% per annum. However the dispute hit the industry hard with the 2006 funding falling by 3.7%. Taking into account the growth that was experienced prior to the dispute, industry funding in 2006 fell by 9.7%. The resolution of the dispute in early in the 2007 year saw funding return to the levels of 2005. Recovery is well under way albeit slower than we would have liked.

HRNSW initiatives, such as the Carnival of Cups, have helped to promote the industry to the punters thereby assisting the recovery in industry funding.

INDUSTRY FUNDING \$M



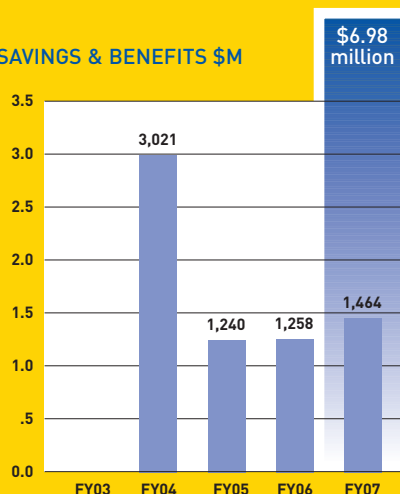
SAVINGS & BENEFITS

Since its inception HRNSW has focussed on achieving real savings for the industry, thereby making more of the industry funding available for participants in the form of prizemoney.

The implementation of the Strategic Plan provided a number of one-off savings as well as annual recurrent savings. Restructuring of clubs and the successful negotiation with SKY Channel to cover the signal conversion costs from analogue to digital provided one-off savings in the order of \$2.5 million. Recurrent savings from club efficiencies, reimbursement of video production costs, sponsorship fees, insurance, and other savings have provided on-going annual savings \$1.32 million.

Total savings to date stand at almost \$7million and are growing as the HRNSW Board and management continually look for ways to provide a greater return to the industry.

SAVINGS & BENEFITS \$M

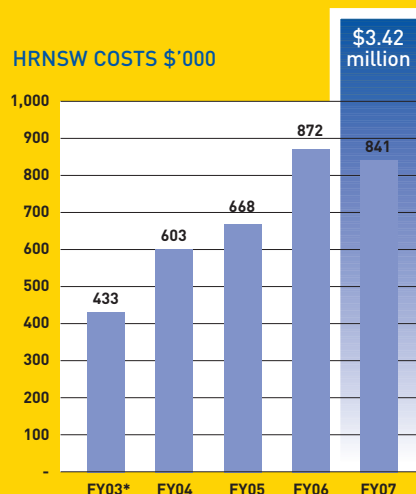


HRNSW COSTS

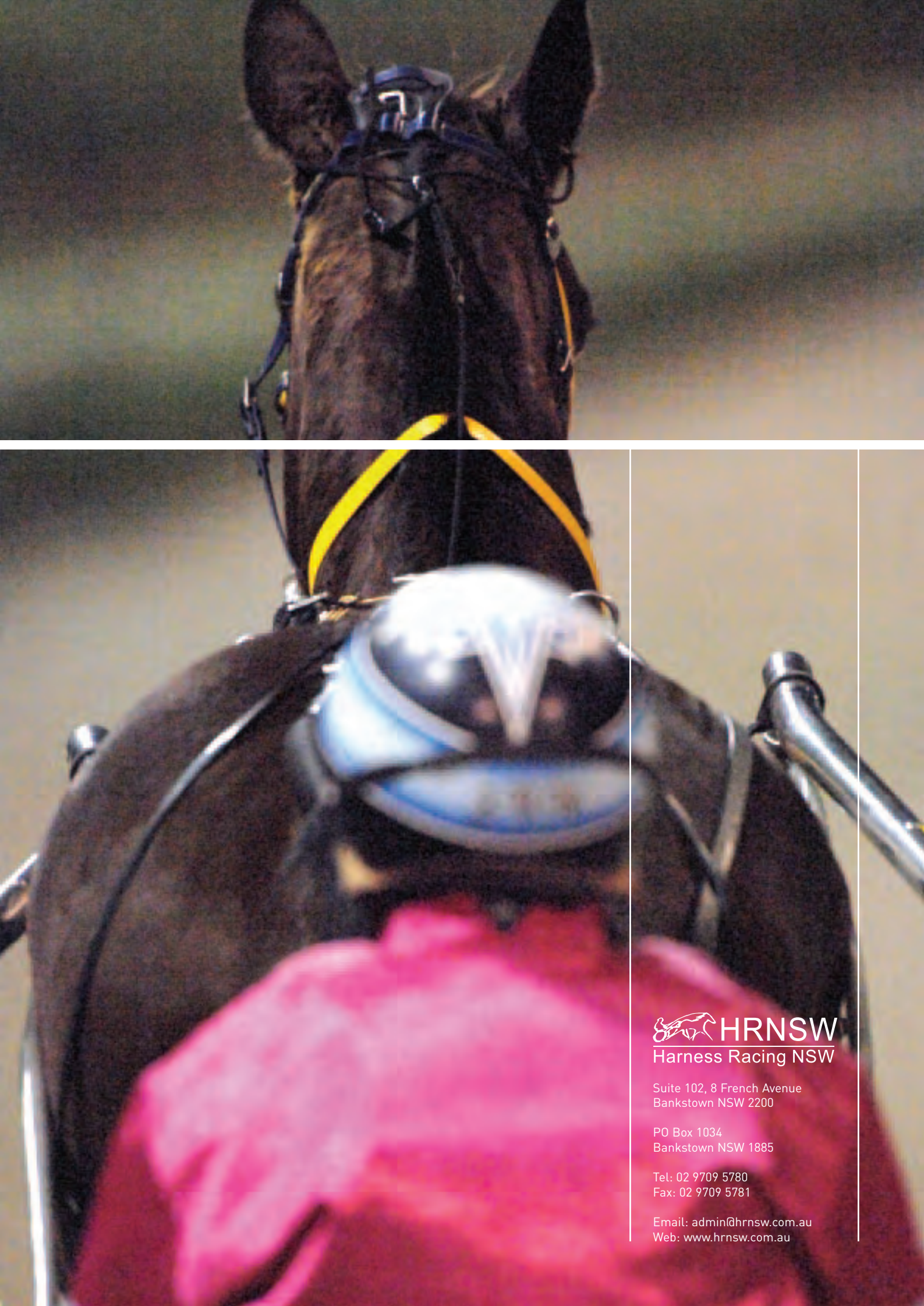
From the beginning, HRNSW has kept a tight rein on administrative costs and associated overheads. Growth in staff numbers has primarily been funded through operational efficiencies and has only seen a marginal increase in costs above CPI, far less than the cost incurred under the previous Authority.

A fall in absolute costs experienced in 2007 is expected to continue in 2008 with budgeted costs for administration being \$822,000 a further reduction of 2.3% (or 5% in real terms).

HRNSW COSTS \$'000



*FY03 data Feb to June only



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