MISSION
– To develop Flemington as a world-class racing venue
– To build upon the pre-eminence of the Melbourne Cup Carnival
– To maximise financial returns from our racing and non-racing activities for the benefit of the Club, its Members, the Racing Industry and racegoers
– To provide first-class entertainment and wagering opportunities for our customers
– To maintain the highest integrity in all of our dealings and activities

VALUES
– Integrity in our decisions and actions
– The highest standards in service and value for our customers and business partners
– Competitiveness in our markets
– Efficiency in the management of our assets
– The commitment and the contribution of our people
– A safe working environment for employees and industry participants

Our vision is to be a leader in world racing

CONTENTS
2 Chairman’s Report
5 The Committee
8 Victorian Racing Industry Review
10 Chief Executive’s Report
15 Senior Management
17 Membership Department
21 Racing
25 Flemington Racecourse
29 Strategic Marketing
33 Sponsorship and Corporate Development
35 Sponsors
37 Catering
39 Business Development
42 Human Resources
43 Finance
44 Corporate Governance
46 Report of the Committee
47 Financial Statements
Phar Lap and Makybe Diva – Australian racing legends

**Phar Lap**

**THE STORY OF PHAR LAP IS TRULY ONE OF LEGEND**

Born during the era of the Great Depression, **Phar Lap** was the ‘people’s horse’ and the public, desperate for a hero in those trying times, followed his every move.

He raced 50 times in Australia for 36 wins and during the 1930 Melbourne Cup Carnival was to achieve what no other horse had done either before or since when he won races on each of the four days. The highlight was his win in the Melbourne Cup when he started the shortest priced favourite in Cup history – 11 to 8 on – and treated his rivals with contempt.

The wonder horse then travelled to Mexico for what was to be his last race. Taking on America’s best horses in the Agua Caliente Handicap, **Phar Lap** scorched over the dirt track in record time to blitz his opposition. He was the toast of the US but tragically, just days later, the horse died in mysterious circumstances in California.

Seventy-four years later, the legend of **Phar Lap** remains as strong as ever and his statue greets visitors at the main entrance to Flemington Racecourse.

**Makybe Diva**

**MAKYBE DIVA – A CHAMPION BECOMES A LEGEND**

Flemington’s race caller Greg Miles said it all – ‘A champion becomes a legend.’ Miles’ call captured a moment in history as the magnificent mare **Makybe Diva** went where no other had, winning a third Melbourne Cup. A handful of horses had done it twice, but no other had even come close to winning it a third time, yet **Makybe Diva** was to do it with ease, jockey Glen Boss simply shaking his head in disbelief.

The pair had proven a devastating combination, winning race after race at Group 1 level from 1,400 metres to 3,200 metres. As well as her three Cup wins, her Flemington record included victories in the Australian Cup, Turnbull Stakes and Queen Elizabeth Stakes.

Following her win in the 2005 Emirates Melbourne Cup, **Makybe Diva** was retired as the highest ever prizemoney winner in Australian racing. A statue in her honour has been commissioned by the Victoria Racing Club (VRC) and will stand in the horse stall area at Flemington.
Above: Jockey Glen Boss and champion mare Makybe Diva after winning the 2005 Emirates Melbourne Cup.
Above: Jockey Jim Pike and the mighty Phar Lap winning the 1929 Victoria Derby.
“Flemington played host to some world-class racing this season and the Club distributed a record amount in prizemoney”

Rod Fitzroy

On behalf of the Committee, I am pleased to report to Members of the Victoria Racing Club for the year ended 31 July 2006. During the year, the ongoing dispute between Tabcorp and ThoroughVisioN (TVN) adversely impacted on betting turnovers and, as a consequence, distributions to all Victorian racing clubs. It is therefore pleasing that I am able to report to Members that the Club generated a net surplus from its operations for the year of $0.909 million.

The Club distributed in prizemoney 136% of the revenue received by way of the Racing Victoria Limited (RVL) shareholder distribution agreement, a record since the benchmarking of returns to owners was instigated some 10 years ago.

Prior to the commencement of the Season, a distribution review was undertaken by RVL and its shareholders. The new model will determine distributions for the next three years. Whilst reducing the VRC’s entitlements, the revised distribution system was agreed on unanimously by RVL, the three metropolitan clubs and Country Racing Victoria (CRV).

The resolution of the TVN/Tabcorp dispute emerged as the number one priority for the Club during the year. The impact on wagering turnover through the ‘split screen’ picture delivery at pubs, clubs and agencies was of concern, but of equal concern was the inability of so many people to view Victorian and Sydney racing on their pay television network, particularly those in regional and rural Australia.

It is regrettable that a satisfactory outcome could not have been achieved earlier, however, the shareholders of TVN were committed to ensure that the settlement terms did not compromise TVN’s capacity to play a vital role in the future development of thoroughbred racing.

We now look forward to TVN establishing itself as the dedicated thoroughbred channel, providing not only a comprehensive coverage of Australia’s premier race meetings, but also international racing. The VRC believes there is great scope to generate additional revenues through reciprocal co-mingling or common betting pools, which would operate on premium racing around the world.

I would like to place on record my appreciation for the outstanding contribution made to the resolution of this dispute by our Vice Chairman – Peter Barnett, Committee Member – Michael Burn, and other representatives of the shareholder Clubs from Victoria and Sydney.

During the year, the VRC formed strategic alliances with a number of the world’s leading racing clubs, providing opportunities for our Members when travelling to have access to premium facilities at racecourses operated by our alliance partners. Other benefits of the alliances are facilitating staff exchanges and the sharing of intellectual property. We expect to build our international affiliation program during the 2006/2007 Season.

As detailed in our General Manager’s Racing Report, Flemington played host to some world-class and exciting racing during this Season.
Other racing highlights this year were:
• she created history in
• In recognition of
• are images that set this day apart from all
• of the crowd in front of The Members’ Stand
• manner in which she accepted the plaudits
• It was, however, the achievement of
• Australia’s Champion Racehorse – the
• •  A highly competitive and quality Winter
• jumps series featuring eight premium
• races collectively offering total prizemoney
• of $1.2 million.
• I would like to congratulate the Australian
• Jumping Racing Association and RVL
• for their leadership in restructuring the
• programming of jumps racing in Victoria
• and, in doing so, providing substantial
• incentive for more owners and trainers to
• become involved in this traditional and
• exciting component of Autumn and Winter
• racing in Victoria.
• The VRC is fortunate to have a collection
• of documents, paintings and trophies that
• record not only the history of the Club, but
• the winning horse,
• •  Toparoa
• •  Toparoa’s victory
• will be remembered as much for the trainer
• and jockey, as they were to go on from
• this victory to become two of the greats in
• Australian racing history – (TJ) Tommy Smith
• the trainer, and Neville Sellwood, the jockey.
• As foreshadowed in last year’s Annual
• Report, during the year legislation was
• introduced into State Parliament to
• change the legal status of the VRC from
• an unincorporated body to an incorporated
• body. In doing so, the Committee was
• mindful to ensure that all of the rights
• and privileges bestowed upon the VRC
• and its Members pursuant to the Victoria
• Racing Club Act 1871 were enshrined in
• any such change.
• We were most gratified that the
• Government fully recognised the need to
• ensure a smooth transition of the Club’s
• operations. The enabling legislation, the
• Victoria Racing Club Act 2006, passed
• through both Houses with bipartisan
• support enabling the Club to commence
• operations from the start of the 2006/2007
• Season as an incorporated body.
• We are indebted to the Offices of both the
• Premier and the Minister for Racing for
• guiding the legislation through both Houses.
• It was most satisfying to read in Hansard the
• individual contributions of those who spoke
• to the Bill recording the important role that
• the VRC has played in public life in Victoria
• for well over a century, together with their
• confidence in the current administration
• and our continuing conduct of the affairs
• of the Club.
• On 30 June 2006, Mr Douglas Hugh Reid OAM,
• in accordance with the Rules of the Club,
• retired from the Committee after 28 years
• of outstanding service.
• During his term, Mr Reid served the Club
• as a member of the Australian Stud Book
• Joint Proprietors Committee and as a
• Member of the Racecourse Licences Board.
• Numerous other industry initiatives not
• merely restricted to the VRC can also be
• attributed to Mr Reid. He was a passionate
• advocate for Victoria’s breeders and the
• need for the development of an incentive
• scheme that would reward those supporting
• the Victorian industry. His advocacy in this
• regard led to the establishment of the
• Victorian Owners and Breeders Incentive
• Scheme (VOBIS), of which he became
• Chairman, and its successor SUPER VOBIS,
• which is still a national leader today.
In accordance with the Club’s Rules, the Committee determined to fill the casual vacancy created by the retirement of Mr Reid with the appointment of Mr Timothy Michael Poole, who joined the Committee on 1 July 2006. I refer Members to Mr Poole’s biographical notes on page 7 of the Report. I am certain that he will, in concert with other Members of the Committee, play an important role in securing the future of the Club.

As highlighted in last year’s Report, the Committee is constantly pursuing strategies that will improve the quality of racing at Flemington, and we were therefore delighted that the Australian Pattern Committee saw fit to elevate both the Turnbull Stakes and the Emirates Melbourne Cup to Group One level, effective from the 2006/2007 Season. It is appreciated that the grading of races is a challenging task for the Pattern Committee. Ultimately, the international reputation of Australian racing demands that there is a continuing assessment of all existing and potential Black Type races having regard to the ratings criteria that has now been adopted worldwide.

Prior to the 2005 Melbourne Cup Carnival, the VRC administration for the first time in its history was relocated to a new office building, occupying a wonderful position at the top of Flemington’s historic Straight Six track. The move was necessitated by Racing Victoria Limited requiring additional space in the building that was shared between the two bodies at 400 Epsom Road. The current esprit de corps of the VRC staff in the new premises is reflective of their collective enthusiasm as on a daily basis they overlook that for which they are responsible – historic Flemington.

On behalf of the Victoria Racing Club, I pay tribute to the contribution made to the Club by two former Members of the Committee who both passed away during the course of the Season. They were:

- Samuel Richard Creswick Wood DFC (Committee Member from 1949 until 1977)
- Frank Hunter Smith (Committee Member from 1973 until 1987).

Both members served not only the VRC with distinction, but also their country in World War II as members of the RAAF, where they piloted missions over hostile territory in Europe on numerous occasions.

I also acknowledge the passing of:

- Judge Bruce McNab who was the initial Deputy Chairman of the Racing Appeals Tribunal when it was formed in 1984 and who served as Chairman from 1990 to 2001, retiring in 2004
- Brian Blackmore, one of Australia’s most experienced race broadcasters. Brian acted as stand-in race caller at Flemington on many occasions during a career that spanned five decades.

I would like to place on record our appreciation for the support received from the Government, industry bodies and sister clubs, in particular:

- The State Government and the Office of the Premier, the Hon Steve Bracks MP
- The Minister for Racing, the Hon John Pandazopoulos MP
- The Board and Chief Executive of RVL
- The Committees of our sister metropolitan clubs, the Melbourne Racing Club and Moonee Valley Racing Club
- The Board of Country Racing Victoria Inc (CRV) – and all Country Racing Clubs
- The Committees of the Bendigo Jockey Club, Ballarat Turf Club, Geelong Racing Club and Werribee Racing Club for their continued generosity in assisting the VRC to hold meetings at their racecourses, thus preserving the racing surface at Flemington as it nears the ends of its effective life
- The Committee of the Australian Jockey Club (AJC) and Board of the Sydney Turf Club (STC)
- The Board and Chief Executive of our Joint Venture partner, Tabcorp Holdings Limited
- The Board and Chief Executive of ThoroughVision (TVN)
- The Chairman and Chief Executive of the Australian Racing Board.

Over the past six years, the Club has faced many challenges with the progressive delivery of improvements that form part of the Club’s Masterplan. However, there is no more important or critical project than that which lies ahead of us immediately after the 2006 Melbourne Cup Carnival. I refer to the reconstruction of the Course Proper at Flemington. Never in the history of Flemington, which has been continuously used as a racecourse since 1840, has the track been totally reconstructed as a single project. The importance of returning to Flemington in September 2007 and a successful subsequent Melbourne Cup Carnival has been paramount in our planning over the past five years. I am confident that every eventuality has been considered and that under the guidance of our General Manager Flemington, Terry Watson, Members can look forward to the track performing to the standard expected of an international racecourse such as Flemington.

While the course is closed for the track reconstruction, we will be continuing to advance other projects that form part of the Club’s Masterplan, and I am confident that Members will be more than satisfied with the ‘New Flemington’ that will be unveiled at our first meeting on 8 September 2007.

The VRC is fortunate to have forged strategic partnerships with many leading corporations. I would like to acknowledge and thank all who have assisted the Club this year, particularly our Principal Partner, Emirates, with whose assistance the international reach of our signature event, the Emirates Melbourne Cup, is growing each year, as well as our four other major Melbourne Cup Carnival partners Lion Nathan Australia Pty Limited, AAMI, Crown Limited and MYER.

The reputation and standing of the VRC is a reflection of the dedication of our Club administration, led by Chief Executive Dale Monteth. Throughout every department there is an enthusiasm and passion for ensuring that the Club continues to be recognised as a world leader. To each and every member of the VRC team, I extend my thanks and congratulations for another excellent year.

I wish to record my personal thanks to Vice Chairman Peter Barnett, Treasurer Peter Fekete, and all Members of the Committee who have once again this year given freely their time and considerable expertise to ensure that the VRC is managed in accordance with the highest governance standards and is positioned to capitalise on future opportunities.

The VRC prides itself on the integrity of its operations and I can assure Members that the Committee and administration will continue to strive for excellence in everything we do, while recognising the heritage and legacy that has been left by those who have gone before us and the expectations of those who will succeed us.

May I, on behalf of the Committee, thank you, the Members of the Club, for your support during the year.

Rod Fitzroy
Chairman
**The Committee**

**ROD FITZROY**  
Fellow Real Estate Institute (FREI)  
Associate Australian Property Institute (AAPI)  
**DATE JOINED COMMITTEE**  
November 1993  
**BUSINESS INTERESTS**  
Founder of Fitzroys  
Chairman, Almond Orchards Australia  
Chairman, Capital Star Motors  
Director, Timberscorp Limited  
Deputy Chairman of Epworth Medical Foundation Board of Trustees  
**CURRENT RACING INTERESTS**  
Breeding: 5 mares  
Racing: currently has interest in 5 horses  
**INTERESTS OUTSIDE OF RACING**  
Family  
Golf  
Travel  
The Sydney Swans

**PETER BARNETT**  
Fellow Certified Practising Accountant (FCPA)  
**DATE JOINED COMMITTEE**  
June 1999  
**BUSINESS INTERESTS**  
Director of AMCIL Ltd and Biosian Pty Ltd  
Director and shareholder of Opis Capital Ltd  
Member of the ABN AMRO Australasian Advisory Council  
Former Chief Executive Officer of EZ Industries Ltd  
Managing Director of Pasminco Ltd (1988-1995)  
**CURRENT RACING INTERESTS**  
Racehorse owner  
Hobby breeder  
**INTERESTS OUTSIDE OF RACING**  
Family  
Golf  
Travel  
The Sydney Swans

**PETER FEKETE**  
Fellow of the Institute of Chartered Accountants Australia (ICA)  
**DATE JOINED COMMITTEE**  
July 2000  
**BUSINESS INTERESTS**  
Partner at PricewaterhouseCoopers Chartered Accountants, specialising in audit and corporate advisory services  
**CURRENT RACING INTERESTS**  
Racehorse owner  
Hobby breeder  
**INTERESTS OUTSIDE OF RACING**  
Family  
Skiing  
Football

**DOUG REID OAM**  
**DATE JOINED COMMITTEE**  
September 1977  
Retired 30 June 2006  
**BUSINESS INTERESTS**  
Retired Managing Director of Blue Metal Quarries  
Former Managing Partner of Tennis Camp Australia  
Former Chairman of VOBIS  
Former Chairman of Racing Products and VRC Promotions Sub-Committee  
Committee Member of Australian Stud Book  
Past President of Thoroughbred Breeders Victoria  
**CURRENT RACING INTERESTS**  
Breeder  
Life Member of Thoroughbred Breeders Victoria  
Owner breeder of mare Maybe Mahal 1978 Australian Champion Racehorse of the Year  
**INTERESTS OUTSIDE OF RACING**  
Tennis (former Wimbledon and Grand Slam player)
BILLY MACKINNON
BA Hons (OXON) – Law degree with Honours Oxford University
Admitted as Barrister UK Bar
Solicitor Victoria – (Retired)
DATE JOINED COMMITTEE
November 1998
BUSINESS INTERESTS
Director of several public and private companies including Geelong Grammar Foundation, Marcus Oldham College, and Victorian Racing Industry Superannuation Fund
Partner in Beemac Bloodstock Partnership
Trustee of family owned wool and agriculture growing property
CURRENT RACING INTERESTS
Racehorse breeder and interests in a number of thoroughbreds
INTERESTS OUTSIDE OF RACING
Farming – breeding fine wool sheep – agriculture
Golf
Polo

PAUL LEEDS
Associate Fellow of Australian Institute of Management
DATE JOINED COMMITTEE
April 2002
BUSINESS INTERESTS
Chief Executive Officer of Starcom Worldwide (Australia Pty Ltd)
Chairman of AMX
Chairman of Radio 3UZ Pty Limited
Board Member of Australian Association of National Advertisers
CURRENT RACING INTERESTS
Racehorse owner and breeder
INTERESTS OUTSIDE OF RACING
Family
Art
Food, wine and travel
Collectables
Tennis
Football – Collingwood

AMANDA ELLIOTT
BA (Hons) Melbourne University
DATE JOINED COMMITTEE
July 2002
BUSINESS INTERESTS
Director of Pastoral and Investment Companies
CURRENT RACING INTERESTS
Breeder
INTERESTS OUTSIDE OF RACING
Werribee Equine Hospital, Marcus Oldham College Foundation
Family
Tennis
Riding
Travel
Music
Theatre and film
Agriculture

MICHAEL BURN
Bachelor of Commerce (Melbourne)
DATE JOINED COMMITTEE
November 2003
BUSINESS INTERESTS
Executive Director – Investment Banking Group, Macquarie Bank
CURRENT RACING INTERESTS
Racehorse owner
INTERESTS OUTSIDE OF RACING
Golf
Snow skiing
KATHERINE BOURKE
BA, LLB, LLM
Member of Victorian Bar since 1989
DATE JOINED COMMITTEE
July 2004
CURRENT RACING INTERESTS
Racehorse owner and breeder
Chairman of the Bookmakers and Bookmakers Clerks Registration Committee
INTERESTS OUTSIDE OF RACING
Hawthorn Football Club
Food, wine and travel

TIM POOLE
Associate Institute of Chartered Accountants (ACA)
DATE JOINED COMMITTEE
July 2006
BUSINESS INTERESTS
Managing Director of Hastings Funds Management
Director of Melbourne Airport Director of Australian Infrastructure Fund
CURRENT RACING INTERESTS
An interest in four horses
INTERESTS OUTSIDE OF RACING
Family
Golf
Running

DALE MONTEITH
Bachelor of Commerce – Melbourne Australian Sports Medal 2000
DATE JOINED COMMITTEE
July 2000
BUSINESS INTERESTS
Chief Executive of Victoria Racing Club (2000 – present)
Tabcorp Joint Venture Management Committee (1994 – present)
CURRENT RACING INTERESTS
Thoroughbred breeding
INTERESTS OUTSIDE OF RACING
AFL football
Snow skiing
Fishing
Cricket
Golf
Cycling
Since the end of the financial year, Racing Victoria Limited (RVL), together with its Shareholders – Victoria Racing Club, Melbourne Racing Club, Moonee Valley Racing Club and Country Racing Victoria and the ten (10) Industry Stakeholder groups – met and resolved to conduct a review into the Victorian Thoroughbred Racing Industry.

The VRC through its role as Principal Club for well over a century, and subsequent to relinquishing that role, has demonstrated an unswerving commitment to the success of thoroughbred racing in Victoria and the welfare of its participants.

The Club remains committed to ensuring the continued leadership position of Victoria and we welcome this opportunity for the broader industry to review its operations and benchmark its successes and failings against both national and international models.

The catalyst for this review was the disquiet amongst industry stakeholders regarding the stagnation of prizemoney over the past twelve months. The 2005/06 racing season was an **annus horribilis** not only for Victoria but most other states, primarily due to the impact of the protracted dispute between Tabcorp and TVN.

As a result, distributions to the Victorian Industry from the Joint Venture were reduced by in excess of $8.6 million from budget forecasts. As a consequence, some Clubs were forced to reduce prizemoney or not increase it as they would have wished. The resolution of the dispute has resulted in turnover levels growing thus enabling Clubs to once again focus on increasing prizemoney.

It is nevertheless an opportune time for the industry to conduct a broad review so Victoria can maintain its pre-eminent national position.

The VRC expects that an important focus of the review will be strategies for growing net revenues so as to increase the pool of funds available for industry investment, and to increase returns by way of prizemoney to stakeholders.

Without pre-empting the detail of the VRC’s submission to RVL, the development of our position will no doubt have regard to the following:

- The significant contribution that the Melbourne Cup Carnival makes to the Victorian and Australian Racing Industry as well as to the broader Victorian economy.
- The commercial success of the Melbourne Cup Carnival does not just happen, it has been developed by the VRC from its inception, but with a far greater commercial focus over the past 15 years where attendances have grown from 190,000 in 1993 to 383,700 in 2005.
- The VRC bears all of the risk in conducting the Carnival with an annual investment in excess of $33 million to stage the event to the standard that is now acclaimed throughout the world.
- The VRC has invested $27 million during the past ten years in new stables and training facilities for the benefit of stakeholders.
- The VRC incurs an annual net cost of $1.5 million in providing training facilities for the Flemington-based trainers and their owners, funds which otherwise might be available for prizemoney.
- The Club has invested in modernising ‘the face of racing’ through the construction of the new Members’ Grandstand (against much public criticism at the time). The Grandstand is now a cornerstone of the VRC’s commercial success.
• The resources that the Club has to invest in essential infrastructure such as the track reconstruction which is programmed to commence immediately after the Melbourne Cup Carnival this year.

• The potential to increase industry funding by addressing the programming of race meetings.

• Ensuring the Victorian Racing Industry receives an appropriate reward for supplying its high quality racing product nationally and internationally.

• The fact that last season every dollar the VRC received from RVL by way of the Industry Distribution Scheme was paid out in prizemoney with an additional 36% or $9 million premium. The VRC is able to ‘top up’ prizemoney in this way principally due to revenue generated from VRC Members and our Corporate Partners.

Recently views have been publicly expressed that the net financial benefits of the Melbourne Cup Carnival should in part be re-directed away from the VRC. We are confident that any carefully considered strategy for change within the industry is unlikely to incorporate such expropriation strategies, particularly in view of the substantial financial benefits already enjoyed by many sections of the racing industry and the Victorian economy as a result of the Melbourne Cup Carnival.

The VRC will not support any strategies the effect of which is to create large scale subsidies within the racing industry, as subsidies are the breeding ground of complacency, inefficiency and sub-optimal business decisions.

The Club intends to play a constructive and positive role in the process of determining a framework for the future of Victorian racing.

We are also committed to ensuring that those within the industry who successfully drive growth enjoy a fair return for accepting the risks that the pursuit of growth entails.

The interests of our Members, Corporate Partners, Sponsors and employees as well as industry stakeholders, will be paramount in our considerations of and active participation in this important industry review.

Change is inevitable and we welcome that. However, it should not be change for change sake, it must be based upon quantifiable and sustainable benefits to industry participants.

We will keep Members informed of progress as the review process unfolds.

Rod Fitzroy
Chairman
The 2005 Melbourne Cup Carnival was the most successful ever with attendances having more than doubled since 1993.

Dale Monteith

OVERVIEW

The 2005/2006 year proved to be a challenging one for the industry and the VRC, with the impact of the dispute between TVN and Tabcorp being a significant contributing factor to wagering turnovers stagnating and in turn causing a shortfall in funding from the Tabcorp Joint Venture, which placed pressure on the ability of all clubs to maintain prizemoney levels. This was the first year since Tabcorp was privatised in 1994 that wagering turnovers did not increase.

From the VRC’s perspective, this impact saw a $1.8 million shortfall in distributions from the Joint Venture compared with budgeted distributions. Notwithstanding, the Club, based upon a very successful 2005 Melbourne Cup Carnival combined with healthy growth in Club revenues across the board, was able to maintain prizemoney increases as planned.

PRIZEMONEY

The Club takes very seriously its responsibility to maximise prizemoney levels at all of its race meetings for the benefit of the industry at large.

Prizemoney for the Season under review increased from $33.5 million to $34.6 million, with particular emphasis upon minimum prizemoney levels, as evidenced by Saturday prizemoney levels for standard races being set at $70,000 per race. These levels lead the Australian Racing Industry.

A VRC sponsored initiative in 2005/2006 saw the introduction of payment of prizemoney down to eighth placing in all Group and Listed Races in Victoria. This was achieved by redistributing 3% of prizemoney away from winning owners, who are still amply rewarded (60%) for winning such races. For VRC Group and Listed Races, this meant that in excess of $1.2 million was redistributed to owners, trainers and jockeys who otherwise would not have received prizemoney.

The Club will continue to focus on allocating prizemoney to reward as many owners as possible and to acknowledge the contribution of industry participants. In 2005/2006 this was amply recognised by the fact that the VRC’s ratio of prizemoney paid to distributions received was 136%.

DISTRIBUTION SCHEME

Unfortunately, the full intent of the new Distribution Scheme between the metropolitan clubs and Country Racing Victoria was impacted by an $8.6 million shortfall in industry funding compared with forecasts, as a consequence of wagering turnovers being flat in 2005/2006.

The planned redistribution of funds via the new Distribution Scheme to further support country racing was therefore not possible in 2005/2006.

It is important to understand that the new Distribution Scheme allocates 88% of available funds flowing from the Tabcorp Joint Venture to underpin prizemoney levels for all races conducted in Victoria.
In this regard, every race is treated equally regardless of which club conducts it or where it is held. By way of example, the following funding levels are provided for metropolitan races by the RVL sponsored Distribution Scheme:

- **Saturdays** $56,929
- **Mid-week, Sundays and nights** $24,842

Victoria’s signature events, the Emirates Melbourne Cup, BMW Caulfield Cup and Tattersall’s Cox Plate, receive funding based upon a percentage of 2004 prizemoney levels whilst all other Victorian Group One, Two and Three and Listed Races receive equal funding within each category. Consequently, the metropolitan clubs are treated equitably under the Distribution Scheme in so far as the provision of funding for minimum prizemoney at all levels.

The VRC is committed to paying prizemoney for all of its races, in excess of funding from the Distribution Scheme, across all categories and will continue to focus on this policy in the years ahead. This policy continues to drive interest in racing at Flemington, wagering revenues, on-course attendances and, ultimately, returns to owners.

**MELBOURNE CUP CARNIVAL**

The 2005 Melbourne Cup Carnival by any measure was the most successful in the Club’s history. It is sobering indeed to reflect upon the growth in attendance for the Carnival since **Vintage Crop** won the Melbourne Cup in 1993, when 190,000 people attended, compared with the 383,800 who attended in 2005. This was the highest four-day aggregate on record.

Record individual day attendances were recorded on AAMI Victoria Derby Day – 115,660, and Emirates Stakes Day – 61,382. Apart from the significant attendances and consequent financial outcomes achieved from the 2005 Melbourne Cup Carnival, the Club was lauded for the professionalism with which it organised and conducted the event. All of the regulatory authorities with which the Club works each year in conducting the Carnival confirmed that it was the most successful ever from their perspective. In particular, the Melbourne Cup Carnival ‘Events Model’ is being used for all other major events conducted in Victoria.

There will, however, always be room for improvement, and Management is committed more than ever to pursuing this objective. For the 2006 Melbourne Cup Carnival, measures have already been taken to drive interest in racing at Flemington, wagering revenues, on-course attendances and, ultimately, returns to owners.

For the 2006 Melbourne Cup Carnival, measures have already been taken to address issues associated with travelling to Flemington by train. Since last year, the Club has been dealing with Connex and the Government to improve rail services for the Carnival.

In addition, the system of allocating requests for Members dining over the four days of the 2006 Carnival has been changed to provide for a ballot on individual days to ensure that all Members are treated equitably with their requests for dining on all days. Previously, the ballot encompassed four-day requests and many Members missed out on being able to reserve dining on any of the four days. I am pleased to report that the new system, which mirrors that previously implemented for Members’ Car Parks three years ago, has been very successful with nearly all Members being able to reserve dining places for the 2006 Carnival.

Last year I reported that for the first time the Club’s in-house Event Office would fully manage the preparations for the Carnival. I have no doubt the Event Management team contributed to the success of the 2005 Carnival and will ensure that we continually strive to improve the quality of the experience, not only during the Melbourne Cup Carnival, but for other major events at Flemington including Super Saturday.

**TVN**

In May 2006 TVN and Tabcorp reached agreement on terms to settle the broadcasting deadlock that had existed for more than 12 months. However, this settlement, at the time of writing, is still the subject of ACCC approval.

The settlement, if and when ratified by the ACCC, will ensure that thoroughbred racing has achieved its objective of guaranteeing that our pictures are used to maximise wagering revenues back to the industry and at the same time ensure that thoroughbred racing is presented in a way that promotes involvement with the industry. TVN’s objective of presenting a thoroughbred-only channel designed to fully service the needs and interests of countless supporters of thoroughbred racing will be achieved.
Since the settlement was reached, there has already been strong evidence that wagering turnovers have returned to levels prior to the dispute thereby underpinning the operations of the VRC and all TVN shareholders.

**FREE-TO-AIR COVERAGE**

During the year, in order to lay the foundations for the continued success of the Melbourne Cup Carnival, the Committee decided to extend the term of the Seven Network’s coverage for an additional six years until 2013.

By extending the term of the Seven Network’s contract, the financial outcomes achieved by the Club for the Melbourne Cup Carnival have been significantly protected, in particular many of the Club’s sponsorship agreements, being on a long term basis, are dependent upon free-to-air coverage.

The quality of the Seven Network’s free-to-air coverage combined with the excellent partnership the Club enjoys with Seven were significant factors in the Committee arriving at this decision.

**FLEMINGTON MASTERPLAN**

During 2005/2006 a number of crucial Masterplan projects were undertaken, which will enable the Club to commence the total reconstruction of the Flemington Course Proper immediately after the 2006 Melbourne Cup Carnival. This project will without doubt be the single most important project undertaken in the Club’s history, as it will be fundamental to the VRC’s conduct of racing at Flemington for at least the next 30 years.

In September 2005 a milestone occurred in the Club’s history with the transfer of the VRC’s operations on course to its new administration offices at 448 Epsom Road. This move finally completed the separation of the VRC from its former industry functions, which were assumed by RVL in December 2001.

Towards the end of 2005 mitigation works on the Maribyrnong River, downstream from Kensington, were completed, which then enabled commencement of the construction of the much needed Bund Wall around Flemington Racecourse. The Wall is expected to be completed soon after the 2006 Melbourne Cup Carnival and will serve two very important purposes.

In the first instance the Wall will protect Flemington from events such as the near disastrous flood in 1974, which completely inundated the racecourse. At the same time the Wall will significantly protect the VRC’s future operations at Flemington.

Apart from enabling the Track Reconstruction Project to proceed, the Wall will importantly protect the Club’s significant assets at Flemington and our business operations, in particular future Melbourne Cup Carnivals.

Importantly, the Wall will also effectively remove the racecourse from the Maribyrnong River flood plain by enabling the Planning Scheme ‘inundation overlay’, which prevents important infrastructure developments being undertaken at Flemington to be removed.

Integrated with the construction of the Bund Wall has been the wetlands development at the top of the Flemington 1,200 metre chute. The wetlands will provide the lowest drainage point on the racecourse and will importantly ensure that, in future, other important areas of the racecourse such as The Birdcage and horse stalls areas will remain free from internal flooding with heavy rainfall.

In addition, the wetlands will also act as a safety valve should the Maribyrnong River flood and breach the Bund Wall, which has been designed to divert such waters, in a worst case scenario, into the wetlands before any other areas of the racecourse are affected.

Even now, after landscape works have just been completed around the wetlands, it is possible to visualise how the wetlands will become a significant feature of Flemington and provide a much needed improvement to this area of the racecourse, which is highly visible from Epsom Road.
Another integrated project undertaken during 2005/2006 was the construction of five pumping stations around the racecourse, which will ensure that future drainage from the racecourse no longer relies upon gravity or the vagaries of the Maribyrnong River’s tidal flow to ensure that storm water drains from Flemington. Importantly, these works needed to be completed with the construction of the Bund Wall and before the Track Reconstruction Project so that the new drainage system within the track could be linked to the pumping stations. The new track will be independently drained from all other training and grounds facilities at Flemington; something that has never been possible until now. This will ensure the Course Proper is no longer compromised by drainage from the remainder of the racecourse.

The construction of new stables to replace the old Southern Community stables commenced towards the end of 2005 and should be completed soon after the 2006 Carnival. Associated with training activities and as part of the Flemington Masterplan, other capital projects completed during 2005/2006 included new stripping stalls adjacent to the Flemington horse tunnel and a new training trotting ring adjacent to on-course stables at Flemington.

Looking ahead to 2006/2007, apart from the Track Reconstruction Project that will mean the closure of Flemington for racing for a 10 month period, the other major project to be undertaken will be the construction of a new Birdcage horse stall and parade ring complex on the site of the existing facilities. The existing, dated horse stalls will be replaced by facilities that more adequately ensure the comfort and health of horses racing at Flemington and trainers and strappers working in this area. In addition, the pre-race parade ring will be relocated to inside the horse stall area, and a tunnel will be constructed to take the horses from the new parade ring to the walkway in front of The Members’ Stand, which leads to the Mounting Yard.

The horse tunnel will ensure that the Club addresses the significant public safety issues associated with the movement of horses to the Mounting Yard and patrons wishing to access the viewing lawns and Betting Ring areas at Flemington. The Birdcage redevelopment can only be undertaken with the closure for the track reconstruction.

In preparation for the 2006 Melbourne Cup Carnival a new taxi road, to speed up access to the course, and drop-off point near the main entrance have been constructed. Previously, such vehicles had to be stopped for the running of all straight races during the Carnival. This problem will be overcome in future.

NON-RACEDAY ACTIVITIES

During 2005/2006, the Club sought the assistance of the Government to amend the Planning Scheme to make greater use of Flemington and all of its facilities on non-racedays. The amended scheme now enables the Club to fully utilise its significant asset base to develop new revenue streams on non-racedays. In particular, we are now able to conduct up to six major non-raceday events at Flemington each year at which 15,000 or more people can attend. The previous planning scheme specifically precluded the VRC from utilising Flemington Racecourse in this manner.

With the redevelopment of the Melbourne Showgrounds, the VRC and RASV have been working co-operatively on a plan to develop Flemington as an entertainment precinct. In particular, the two organisations are currently exploring ways of working co-operatively to share costs and develop new joint revenue streams associated with the management of the racecourse and showgrounds sites outside of racedays and The Royal Melbourne Show. This is also likely to include exploring ways to jointly develop ‘non-core’ land at the rear of the racecourse, in the Leonard Crescent and Fisher Parade areas owned by the VRC and RASV.
WAGERING AND GAMING RELICENSING
The State Government has commenced a process to review the granting of licences to be issued to wagering and gaming operators from 2012. Tabcorp currently holds such licences in a Joint Venture with the Victorian Racing Industry.

The Racing Industry, when agreeing to the privatisation of the then TAB in 1994, sought and was given assurances in legislation that the industry would be ‘no worse off’ with relicensing.

The challenge for all in racing will be to ensure over the next 18 months that the industry achieves a better result from relicensing and one that ensures the prosperity of the industry for all those who make their livelihood from racing.

WERRIBEE
The VRC has for a number of years worked co-operatively with the Werribee Racing Club (WRC) on a number of fronts. With the need to protect the Flemington track from over racing and recognise its limitations leading up to the reconstruction, WRC has permitted the VRC to conduct a number of its mid-week meetings at Werribee. This arrangement is likely to continue after the Flemington track reconstruction to ensure that Flemington produces the best possible racing surface for all of its feature, Saturday and holiday meetings.

Early this year WRC commenced the reconstruction of the first floor of its grandstand to provide facilities that will better service the needs of its Members and those of the VRC in the years ahead. The VRC has assisted WRC to secure borrowings to enable it to facilitate this important project by guaranteeing loans for the construction works, which should be completed by Werribee Cup Day 2006.

ACKNOWLEDGEMENTS
I am fortunate to work with a dedicated and passionate team of people at the VRC who are committed to continuing to improve the Club’s service to its Members, public and industry participants.

I also pay due credit to the Committee (now Directors) of the Club which provides me and the Club’s Management team with much valued knowledge and assistance, which continues to ensure the best outcomes are achieved for the Club.

In June 2006 Mr Doug Reid OAM retired from the Committee after 28 years’ service. I have known Doug and Bev Reid for most of my 30 years in racing and wish to thank them both for their untiring dedication to the VRC, and in particular their support of me during my time in racing and at the VRC.

Racing in Victoria is more fortunate than most other states as the Clubs and the controlling body, RVL, work very closely together. In this regard I wish to thank the Chief Executives of RVL, CRV, MRC and MVRC for their co-operation in working to grow and develop the Victorian Racing Industry.

The Club continues to work in partnership with Peter Rowland Catering to ensure the highest standard of catering services for all patrons. I would like to thank the Peter Rowland team for its continued commitment to providing this service.

The continued support of Members is fundamental to the success of the VRC and much appreciated by all at the Club.

Dale G Monteith
Chief Executive
Senior Management

SUE LLOYD-WILLIAMS
Deputy Chief Executive

JOHN ANSTYEY
General Manager
Human Resources

JAMES EARLS
General Manager
Racing

ROZALEE ERCEG
General Manager
Flemington Business Development

BRENDAN FORD
General Manager
Sponsorship & Corporate Development

SUE LLOYD-WILLIAMS
Deputy Chief Executive

JOHN ANSTYEY
General Manager
Human Resources

JAMES EARLS
General Manager
Racing

ROZALEE ERCEG
General Manager
Flemington Business Development

BRENDAN FORD
General Manager
Sponsorship & Corporate Development

REBECCA HARVEY
General Manager
Catering & Event Co-ordination

CRAIG MALTMAN
General Manager
Business & Finance

DR STEPHEN SILK
General Manager
Strategic Marketing

JULIAN SULLIVAN
General Manager
Membership Services

TERRY WATSON
General Manager
Flemington

REBECCA HARVEY
General Manager
Catering & Event Co-ordination

CRAIG MALTMAN
General Manager
Business & Finance

DR STEPHEN SILK
General Manager
Strategic Marketing

JULIAN SULLIVAN
General Manager
Membership Services

TERRY WATSON
General Manager
Flemington
OVERVIEW
During 2005/2006, the Club continued to refine all aspects of its Membership offering to ensure continued Member satisfaction. Key areas of focus included:
- maintaining exclusivity of VRC Membership
- ensuring both raceday and non-raceday events were appealing to all Members
- provision of first-class communications and customer service
- broadening the appeal of Racing Rewards benefits and redemptions
- offering a Membership package that reflects true value.

Initiatives introduced to ensure the maintenance of Membership exclusivity included limiting the number of Members who progressed from Restricted to Full Membership and a continued focus on the growth of the Restricted Membership base.

In order to maintain our current retention rate of 97%, ‘exclusivity’ must continue to remain synonymous with VRC Membership. The Club capped Full Member capacity at 22,000 and aims to acquire an additional 1,500 Restricted Members each Racing Season.

A breakdown of Membership categories at the conclusion of the 2005/2006 Racing Season is shown below.

<table>
<thead>
<tr>
<th>Member category</th>
<th>No of Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full</td>
<td>21,247</td>
</tr>
<tr>
<td>Restricted</td>
<td>864</td>
</tr>
<tr>
<td>Life</td>
<td>91</td>
</tr>
<tr>
<td>Pre 1979</td>
<td>633</td>
</tr>
<tr>
<td>Provisional</td>
<td>112</td>
</tr>
<tr>
<td>Juniors</td>
<td>788</td>
</tr>
<tr>
<td>Absentee</td>
<td>1,711</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25,446</strong></td>
</tr>
</tbody>
</table>

For the new Racing Season, all Restricted Members who applied prior to September 2005 will be upgraded to Full Members in time for the 2006 Melbourne Cup Carnival.

MEMBER ATTENDANCE
Below is a summary of Members and Members guests’ attendance, with AAMI Victoria Derby Day remaining the most popular day of the Melbourne Cup Carnival with over 47% of total attendance comprising of Members.

It is encouraging to see an increase in the number of Members attending on Emirates Melbourne Cup, Crown Oaks and Emirates Stakes Days.

Member attendance outside of the Melbourne Cup Carnival continues to improve. Furthermore, this growth is primarily attributed to the Membership Loyalty Program, Racing Rewards and new initiatives in Member benefits. The average frequency of Members’ attendance at the races at Flemington has increased from 4.94 days in 2004 to 5.29 days in 2005.

<table>
<thead>
<tr>
<th>MCC MEMBER ATTENDANCE</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Members</td>
</tr>
<tr>
<td>Derby</td>
<td>115,542</td>
<td>58,082</td>
</tr>
<tr>
<td>Cup</td>
<td>98,161</td>
<td>42,758</td>
</tr>
<tr>
<td>Oaks</td>
<td>110,677</td>
<td>53,658</td>
</tr>
<tr>
<td>Stakes</td>
<td>45,734</td>
<td>28,144</td>
</tr>
<tr>
<td><strong>Overall</strong></td>
<td><strong>370,114</strong></td>
<td><strong>182,642</strong></td>
</tr>
</tbody>
</table>

Member attendance continues to improve due to increasing initiatives in Member benefits.
RACING REWARDS

Now in its fifth year of operation, Racing Rewards recorded its most successful year to date, as evidenced by the record number of group qualifying Members and the increase in redemptions. Firmly established as a core component of the Club’s Membership offerings, the program continues to develop and foster Member loyalty. 2005/2006 market research findings indicate that 92% of Members were aware of Racing Rewards and 76% agreed the program is a great initiative. Racing Rewards will endeavour to ensure that Members’ overall attendance remains frequent for the 2006/2007 track closure phase.

As shown in the table below, the 2005/2006 Racing Season continued the trend of Members qualifying for group status with a 4% increase on the previous Season.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Group 3</td>
<td>4,237</td>
<td>4,309</td>
</tr>
<tr>
<td>Group 2</td>
<td>1,977</td>
<td>1,788</td>
</tr>
<tr>
<td>Group 1</td>
<td>1,305</td>
<td>1,182</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,519</strong></td>
<td><strong>7,279</strong></td>
</tr>
</tbody>
</table>

For the first time, Group Members were provided with the opportunity to purchase a discounted Super Site in The Domain on 2005 Emirates Stakes Day. The offer was extremely well received as evidenced by the abundant number of Racing Rewards Super Sites purchased prior to raceday.

Another noteworthy program initiative for the 2005/2006 Racing Season was the introduction of an exclusive Racing Rewards Henry Buck’s gold tie. The item proved so popular that all ties were redeemed within three months.

INITIATIVES IN MEMBER BENEFITS

The 2005/2006 Racing Season saw a significant expansion of the overall Membership offering with the following key initiatives introduced:

- Expansion of The Nursery Car Park
- Introduction of the Junior Membership Program for 12–17 year olds
- VRC International Racing Tours – Hong Kong (Sha Tin) and Ireland (The Curragh)
- Launch of the Strategic Alliance
- Introduction of the Members’ E-Diary
- Establishment of The Hedges in The Birdcage
- Introduction of an innovative Access Control solution.

MEMBERS’ EVENTS

VRC Members expressed a high level of satisfaction in the range of exclusive Members’ events offered during the 2005/2006 Racing Season. This was demonstrated by capacity attendance at each of the following events:

- Private Gallery Viewing – National Gallery of Victoria
- Andy Warhol’s Time Capsules
- Wine Appreciation Luncheon – Members’ Dining Room
- Collingrove Stud and Mitchelton Winery Tour
- Spring Fashion Cocktail Party – featuring a MYER fashion parade
- Melbourne Cup Carnival Preview Evening – guest speaker John Messara
- Cocktail Party – guest speaker David Hayes
- Junior Members’ Marquee – Emirates Stakes Day
- VRC Racing Tour – Hong Kong
- Flemington Festival of Racing Preview Evening – guest speaker Fred Kersley
- Flemington Festival of Racing Pre-Race Cocktail Party
- Golf Day – Moonah Links Golf Course
- VRC Racing Tour – Ireland
- Private Gallery Viewing – National Gallery of Victoria
- Pissarro: The First Impressionist.

YOUNG MEMBERS

Overall attendance at Young Members’ events continued to grow. NIVEA VISAGE Girls’ Day Out was once again the most popular event with in excess of a third of all Young Members in attendance.

On Lightning Stakes Day all Group Racing Rewards Young Members were invited to attend a pre-race cocktail party which was held on Level 5, The Grandstand. This initiative was well received with over 450 Members attending.
MELBOURNE CUP CARNIVAL MEMBERS’ RESERVED CAR PARKS
The Members’ Reserved Car Parks again proved extremely popular during the 2005 Melbourne Cup Carnival. Impressive Car Site sales were achieved over all four days of the Carnival with AAMI Victoria Derby Day once again proving the most popular.

A number of initiatives were welcomed during the Carnival including the expansion of The Nursery, the introduction of The Hedges and the refurbishment of The Birdcage Chalets.

The Nursery extension enabled the size of all Reserved Car Sites to be increased by 20% in addition to facilitating the creation of shared undercover areas for Members and their guests to enjoy throughout the Carnival. The launch of The Hedges and the refurbishment of the popular Birdcage Chalets were equally well received. Both initiatives enhanced Members’ capacity to entertain guests within this precinct by providing a greater variety of purchasing options as well as improved facilities.

COMMUNICATION
During 2005/2006, the Membership Department primarily focussed on a range of measures to ensure Members were kept up-to-date with the latest raceday and non-raceday information, including the long awaited Flemington Track reconstruction.

Communication tools that the Department utilised in order to effectively communicate with Members included:
- Inside Headquarters magazine
- Melbourne Cup Carnival Official Souvenir Magazine, Members’ Guide and Update
- Exclusive Members’ section of the VRC website
- Junior Members’ website
- Online Membership renewal service
- Email campaigns
- Track Closure Informational Flyer
- VRC Members’ and Racing Rewards handbook
- Information bulletins published in Melbourne metropolitan newspapers
- Brochures and invitations produced throughout the Season
- SMS campaigns
- Flemington Festival of Racing brochure
- Customer Service Centre
- Raceday and Ticketing Office on racedays.

In August 2005, the Club introduced the E-BIRD E-DIARY®, which enabled Members to personalise their desktop calendars to include a complete Raceday Fixture, as well as an official Members’ Events Schedule.

Quantum Market Research conducted after the 2005 Melbourne Cup Carnival indicated that the current mix of communication methods used to reach Members is highly effective. The mix of mail and email as the main forms of communication effectively reaches all Member segments. Over 50% of Members preferred to receive email communications from the Club on a monthly basis.

The overall objective of this research is to gain a comprehensive insight into Members’ interests, attitudes and perceptions, gauge satisfaction levels and identify opportunities to further enhance the VRC’s Membership offerings.
OVERVIEW
Without doubt, the high quality, great variety and competitiveness of racing at Flemington throughout 2005/2006 provided the basis for a very successful Season for the VRC, ensuring high levels of enjoyment for VRC Members and all lovers of thoroughbred racing.

Of the 32 race meetings conducted by the Club in 2005/2006, 18 were held on a Saturday or public holiday at Flemington. Other Flemington meetings comprised Crown Oaks Day, two Sundays, two Friday twilights and one mid-week program. Eight VRC weekday meetings were held at provincial venues – five at Werribee and one each at Geelong, Ballarat and Bendigo.

During the Season, the VRC distributed $34.3 million in prizemoney, and trophies valued at almost $300,000 – this was 3.4% more than in the preceding year. As an individual Race Club providing financial returns of this magnitude, the VRC continues to be a leading contributor to the Victorian Racing Industry, providing a strong stimulus for industry participants generally in both the short and long term.

The Club conducted 266 races in 2005/2006, which attracted 2,981 starters at an average of 11.2 horses per event. One quarter of those races carried ‘Black Type’, comprised of 11 Group One, 11 Group Two, 16 Group Three and 29 Listed Races. These (67) events alone carried a total value of $23,050,000 in prizemoney, plus trophies. The VRC’s fine reputation worldwide as a promoter and host of thoroughbred racing excellence at Flemington is underlined by the substantial number of internationally recognised Group and Listed Races run by the Club each Season.

2005 SEPTEMBER AND OCTOBER MEETINGS
The first Saturday of Spring provided excellent racing, with the Craiglee Stakes and Ascot Vale Stakes headlining the nine race program. This day marked a new era in the way prizemoney is distributed to ‘placed’ horses in Group1 and Listed Races in Victoria. For the first time, prizemoney was paid down to the eighth placed runner instead of being limited to five horses, with slightly reduced purses for the winner and runner-up funding the new formula. This VRC initiative was designed to reward more contributors in Flemington feature races. The idea was quickly adopted by other clubs and, with the endorsement of RVL, the new prizemoney sharing arrangement for Black Type races was made compulsory in Victoria under the Rules of Racing.

One month later, Melbourne Cup Carnival Preview Day provided a very exciting 10 race program and the field for the Turnbull Stakes was the strongest in memory. Nevertheless, the amazing Makybe Diva overcame her rivals with ease and showed she was ready for further greatness in the weeks ahead. Another darling of the turf was revealed on this day, when Serenade Rose signalled her impending domination of upcoming fillies’ classic races with her Edward Manifold Stakes victory.

2005 MELBOURNE CUP CARNIVAL
Once again, the Melbourne Cup Carnival provided four days of outstanding thoroughbred racing at Flemington.

The 151st AAMI Victoria Derby was a very even contest and trainer Lee Freedman began his dominance of the Carnival’s flagship races through Benicio, which came with a well-timed run to capture Australia’s oldest classic race. Additionally, Lad of the Manor, Lotteria and Glamour Puss were all worthy winners of the other Group One races on the program.

AAMI Victoria Derby Day again deserved its mantle as Australia’s highest quality day of racing, with its schedule of four Group One, one Group Two and four Group Three races. As such, Derby Day has few rivals anywhere in the world as a raceday of such quality. VRC Members and other racing followers certainly voted for the program ‘with their feet’, as a new attendance record (of 115,660) was set for the second year in a row.

Warm and sunny conditions greeted Flemington for the 145th running of the Emirates Melbourne Cup, and it was on this day that the unthinkable was achieved. Despite very few horses ever having won more than one Emirates Melbourne Cup, because of its handicap conditions, the great mare Makybe Diva was able to come from seemingly nowhere at the 800 metres mark to reach the lead 300 metres out, and defy all challengers to win an historic third Melbourne Cup. It is difficult to imagine another horse ever achieving this feat again. Emotional scenes that usually accompany a Cup win were even more special with the knowledge that this was ‘the impossible made possible’ by an incredibly talented race mare.

(1) Except Emirates Melbourne Cup – 10 prizes.

Makybe Diva’s historic win in the 2005 Emirates Melbourne Cup was the highlight of another outstanding year of thoroughbred racing at Flemington.
Racing continued

For the first time, a Japanese runner (Eye Popper) was seen in the Cup and he was joined by a debutant South African contestant (Greys Inn). Three European raiders also took their place in the field and the best performed of all five foreign runners was the Dermot Weld trained 2004 Emirates Melbourne Cup runner-up Vinnie Roe, which finished eighth.

Crown Oaks Day delivered highly competitive racing. Serenade Rose was a comprehensive winner of the fillies’ classic and later became one of the few fillies to complete the Crown Oaks/AJC Australasian Oaks double.

Melbourne’s weather could not have been better for Emirates Stakes Day, in complete contrast to the 2004 version. The program was strengthened by the inclusion of The Age Classic (transferred from Crown Oaks Day) in which the Seppelt Salinger Stakes winner Glamour Puss again prevailed, defeating a strong weight-for-age field. Her Danny O’Brien-trained stablemate Valedictum finished powerfully to take out the $750,000 Emirates Stakes, being run for the first time as a Quality Handicap.

Robustly competitive and exciting racing, which the Melbourne Cup Carnival program of races inevitably provides, sets the foundations of the success of the Carnival as a sporting event. High rates of participation flowed from the significant prizemoney, superior racing facility (surface and contour) and from the opportunity for connections to be involved in one of the great racing carnivals of the world. No one will ever forget the 2005 Emirates Melbourne Cup in particular, because of Makybe Diva’s record feat.

2006 SUMMER MEETINGS
The Club conducted seven race meetings between December and February inclusive, the highlight of which was Lightning Stakes Day featuring the first leg of the 2006 GLOBAL SPRINT CHALLENGE™. Evergreen Hong Kong visitor Cape of Good Hope again competed boldly for another third placing in the Lightning, behind two local stars returning from the Spring, Takeover Target and God’s Own. The winner set the scene for a successful performance on the world stage at Ascot, England in June, and at Nakayama, Japan in October.

2006 FLEMINGTON FESTIVAL OF RACING
Following the success of the Club’s decision in 2005 to consolidate the traditional March feature races into two consecutive Saturdays under the banner ‘Flemington Festival of Racing’, a ‘Super Saturday’ of racing was again programmed, which featured the Darley Australian Cup, Seppelt Wines Newmarket Handicap and the Cadbury Guineas.

While the Darley Australian Cup delivered a surprise winner in Roman Arch, the Seppelt Wines Newmarket Handicap outcome confirmed the status of the champion straight course sprinter, Takeover Target. The Cadbury Guineas was won impressively by Apache Cat, which later performed creditably at the Sydney Autumn Carnival.

The program for the second day of the Flemington Festival of Racing was headed by three well-established Group Two races – the Blamey, Kewney and VRC Sires’ Produce Stakes. As was the case in 2005, a very even program of racing with highly competitive fields was again seen on this day.
2006 LATE AUTUMN AND WINTER RACING

ANZAC Day saw the 150th renewal of the VRC St Leger at Flemington – Australia’s last remaining St Leger over 2,800 metres for three-years-old horses only. The winner, **Dolphin Jo**, showed himself to be a stayer of the future.

The 2006 Screens Australasia Winter Championship Series Heats were held at Bendigo, Geelong, Ballarat, Wangaratta and Flemington. As it always does, the Series provided a focus for Winter flat racing, and a strong field contested the Championship race on Saturday 8 July, won by Flemington trained **Chitabe**.

Now each valued at $250,000 plus trophies, the Grand Nationals were very exciting contests and **Busby Glenn** was successful in the Hurdle, while Tasmanian import **Personal Drum** secured Jumper of the Year honours through his win in the Cleanevent Grand National Steeplechase. The Nationals were strongly supported by a new and more compact Flemington jumps racing program of six hurdle and steeplechase races. These were quality races and they contributed to the total of $1,200,000 in prizemoney on offer for jumps racing at Flemington in the 2006 Winter.

BRIEF PREVIEW OF 2006/2007 SEASON

**Race Dates**

Due to the imminent closure of Flemington Racecourse after the 2006 Melbourne Cup Carnival, the Club will conduct 30 meetings in 2006/2007, as opposed to 32 in the previous Season. VRC Saturday fixtures during the period of closure will be run at metropolitan courses, while all mid-week meetings will be at provincial courses (eight at Werribee and one each at Ballarat and Bendigo).

Major meetings such as New Year’s Day and Super Saturday will be held at Caulfield, while the Lightning Stakes, ANZAC Day and David Bourke Provincial Plate fixtures will be staged at Moonee Valley. Sandown Racecourse will host the Christmas Meeting, Chester Manifold Stakes Day and Andrew Ramsden Stakes Day, and all of the VRC’s major jumping race days, including both Grand Nationals.

The co-operation received from the respective Club Committees and management at the host metropolitan and country venues is greatly appreciated by VRC Directors, Management and staff.

**Group and Listed Races**

In an exciting development, the Turnbull Stakes and Ascot Vale Stakes (the latter now on AAMI Victoria Derby Day) have each deservedly acquired Group One status from the 2006/2007 Season onwards. The quality of these races over a prolonged period has recently been acknowledged by the Australian Pattern Committee and, as Group One races, they join the list of Australia’s internationally recognised elite races. In doing so, they rightfully add further prestige to the Flemington racing program.

**SUMMARY**

Aligned to its vision and mission, the VRC’s commitment to excellence in thoroughbred racing at Flemington is evident in its strategic initiatives in racing management. Securing optimal race dates, setting timely feature and standard race programs and offering the highest levels of prizemoney possible in the various racehorse segments are key strategies for the achievement of the Club’s objectives. The accurate placement of the right races at the right time at world-renowned Flemington Racecourse is vital to maintaining the VRC’s ability to be a global leader in the pursuit of racing excellence.
Flemington Tracks
The Flemington Course Proper has performed very well over the past 12 months, with the surface having provided uniform going and some very exciting racing. Importantly, the Club consciously maintained the track to provide safe racing for all horses competing at Flemington.

During 2005/2006 major maintenance works were undertaken after the Spring and Autumn Carnivals. These works are necessary each year and ensure that Flemington provides a fair racing surface and at the same time extended the life of the track longer than otherwise would be possible.

COURSE PROPER RECONSTRUCTION
It is with great anticipation that all at the Club, in particular the Flemington Racecourse Management team and staff, look forward to the Course Proper reconstruction project finally getting under way after the 2006 Melbourne Cup Carnival.

The existing track surface will be completely removed and replaced with a new drainage system and a well draining uniform profile. Importantly, in future the Course Proper will have an independent drainage system from all other drainage at Flemington and will be aided by a new mechanical pumping system. This will remove the threat posed by the tidal flows of the Maribyrnong River, which until now have impeded the effective drainage of the whole racecourse.

The new racing surface will comprise a Kikuyu-based turf, incorporating a modern blend of other turf grasses that we are confident will produce a track of the highest standard.

The Club takes considerable comfort from the performance of the recently relaid Caulfield track, which used the same Kikuyu-based turf that has been planned for the new Flemington track.

NEW STABLES
During the year, construction of the new Central Community stables commenced. This project is well underway and is expected to be completed by the end of this year.

This modern 156 box complex, which will comprise of stable blocks ranging from 11 to 26 boxes, will replace the old Southern Community stables that will eventually be demolished to make way for racecourse workshops and staff amenities.

DIRT TRACK RENOVATION
The dirt training track continues to perform well. It was renovated in March 2006 by blending a mixture of sand and pine mulch into the profile to produce an even galloping surface for fast work.

The dirt track is the most favoured training track used by trainers at Flemington.

NEW STRIPPING STALLS
The construction of 36 new stripping stalls, a sand roll and four horse washes was completed in June 2006. These stalls will primarily service the needs of off-course trainers.

This facility is located adjacent to the horse and vehicular tunnel, providing easy access to all the training facilities.

The construction of this new facility is tied to the completion of the Bund Wall and the closure of the woodchip crossing at the 2,000 metre start on the Course Proper. The closure of the crossing has been on the Club’s agenda to provide the safest possible racing and training tracks.

TROTting AND CANTERING TRACK
In order to provide Flemington trainers with the facilities necessary to enable them to conduct their activities, a new trotting and cantering track was completed in October 2005 next to the main stabling complexes for slow and lead work from a pony.

With the construction of the wetlands, the previous track in that area was closed. This new track has a circumference of 375 metres and importantly is available seven days per week.

The reconstructed Flemington track will use the same Kikuyu-based turf that has performed successfully at Caulfield.
SAND TRACK RENOVATION
The surface on the big sand training track was replaced in April 2006 with a combination of different sands. The new surface has been well received by the trainers and track riders and is available seven days per week.

As with all training tracks, this track requires constant maintenance and replenishing to ensure that it performs to the expectations of the Club and trainers.

Flemington Grounds and Gardens
THE LAWNS AND ROSES
During Flemington’s 10 month break from racing with the Course Proper reconstruction, a large percentage of the public viewing lawns will be raised to improve sight lines to the track.

This will present a perfect opportunity to rejuvenate the rose gardens on the outside of the track and on the lawns, as many of the plants are past their productive life.

More than 3,000 new roses will be planted to replace existing plants.

THE BIRDCAGE STALLS
The Birdcage stalls will also be completely redesigned and rebuilt during the track closure. The new design will feature a parade ring within the stalls enclosure and an underground tunnel linking the horse stalls area to the horse race in front of the Members’ lawn. This will alleviate the crush situation that currently occurs during the Carnival where pedestrians cross the horse race. A dedicated avenue will also be built as an entry to The Birdcage Marquee area. An additional 550 roses will be planted around the fences in the new Birdcage horse stalls area. This will further demonstrate the VRC’s commitment to extend Flemington’s reputation as one of the world’s most prominent rose gardens.

THE WETLANDS
The Car Park area closest to Epsom Road, adjacent to the top of the ‘Straight Six’, has been transformed into a green oasis with the creation of the wetlands and surrounding grass areas. With a large proportion of Flemington’s storm water filtering through this area, the wetlands should provide a potential haven for wildlife.

A new taxi road and pedestrian walkway border the wetlands and a rose hedge will separate the road from the walkway.

More roses will also find their way across to the ‘Straight Six’ where they will be planted down both sides of the straight from the 1,200 metre mark to the 700 metre mark to beautify and cover the existing pipe and rail fencing.

FLEMINGTON’S ELMS
With Flemington’s population of some 500 elm trees, the Club has implemented an ongoing treatment program where a number of trees are soil injected each year with confidor as a preventative for elm leaf beetle. During 2005/2006, an additional 160 trees were treated.

Additionally, an ongoing program of replacing elms in the main Betting Ring is planned in the years ahead.

LANDSCAPE MASTERPLAN
Flemington has embarked on an ambitious Masterplan in order to maintain a consistent approach to the development of the landscape elements within the site.

With the assistance of Murray Collins of ‘The City Gardener’, we are working to produce a cohesive and aesthetically pleasing aspect to the Flemington facility as a whole.
INTRODUCTION
The Strategic Marketing Department aims to be innovative and dynamic with a focus on Flemington and the Melbourne Cup Carnival by:

• Maximising and developing all VRC brands, events and products to ensure they meet their brand values
• Providing exceptional communication, entertainment and facilities for all our customers and stakeholders at all our events to enhance their Flemington and Melbourne Cup Carnival experiences
• Developing the right infrastructure to support all customers and stakeholders
• Managing our resources to maximise revenue within the expense budget
• Operating with integrity at all times.

The Department also aims to maximise opportunities for the Club, its Members, stakeholders and the general public by protecting and strengthening the Carnival as Australia’s major event of international importance, and by ensuring all Carnival events, products and communications complement and enhance the overall experience and sales opportunities for the Club, its Members, stakeholders and the general public.

MELBOURNE CUP CARNIVAL EVENT POSITIONING

2005 MELBOURNE CUP CARNIVAL
The 2005 Melbourne Cup Carnival attracted an all-time high attendance for the four days – 383,784 visitors. A record 115,660 and 61,382 attended AAMI Victoria Derby and Emirates Stakes Days respectively. It was also encouraging to see a 10.6% rise in attendance on Melbourne Cup Carnival Preview Day, with 20,784 on hand to see Makybe Diva win the Turnbull Stakes.

AAMI VICTORIA DERBY DAY
AAMI Victoria Derby Day provided a spectacular start to the 2005 Melbourne Cup Carnival with a record crowd of 115,660 patrons witnessing Benicio’s win in the feature race. It was the first Derby win for jockey Noel Callow and the third for trainer Lee Freedman. Opera singer David Hobson performed the National Anthem prior to the Derby and it was Men’s Day in the MYER Fashions on the Field at Flemington competition.

EMIRATES STAKES DAY
Fine weather on Emirates Stakes Day saw a record 61,382 flock to the Carnival’s ‘Family Day’. Emirates Kids’ Fashions on the Field on the track attracted hundreds of eager young racegoers keen to impress the judges for a share of the prize pool. Also grabbing attention were those members of the Phar Lap Club who assembled in the Mounting Yard to sing the National Anthem prior to the main race.

The Danny O’Brien-trained Valedictum (Steven King) took out the Emirates Stakes while Lee Freedman’s Carnival concluded on a high note when Our Smoking Joe (Noel Callow) triumphed in the Queen Elizabeth Stakes.

MYER FASHIONS ON THE FIELD AT FLEMINGTON
MYER Fashions on the Field at Flemington continued with its national promotion in 2005. Competitions were held in New South Wales and Western Australia and at racecourses in Queensland and South Australia. Winners were flown to Melbourne to compete on Crown Oaks Day for the title of ‘MYER Fashions on the Field at Flemington National Winner’.

The VRC also introduced an industry based design category on Emirates Melbourne Cup Day, which was a great success. With more than $300,000 in prizes on offer, including a SAAB 9-3 convertible, there were some fantastic outfits on show. MYER continued with its support for the event by flying in from Los Angeles, Desperate Housewives star Eva Longoria. Queer Eye for the Straight Guy’s Carson Kressley also made a return visit, as did a number of well-known Australian celebrities.

Victoria entrant Laura Gleich took out the Women’s Classic Racewear title and drove away in her new SAAB 9-3 convertible as well as collecting some amazing prizes including a business class trip to Dubai with Emirates, MYER vouchers and a Longines watch.

As usual on this day, the final of the MYER Fashions on the Field at Flemington was the most popular off-track event with contestants from all over Australia competing for the rich prize pool.
FLEMINGTON FASHIONS
We were delighted to be an official partner of the L’ORÉAL Melbourne Fashion Festival during the Autumn with our Fashion Lunch an official event of the Festival.

MELBOURNE CUP CARNIVAL LIVE SITE – FEDERATION SQUARE
For the unlucky few who could not make it to Flemington, the Melbourne Cup Carnival Live Site was the perfect place to find out all the Carnival information and view the live telecasts that were beamed onto the big screen at Federation Square by the Seven Network on all four days.

The Live Site was also utilised to hold the Melbourne Cup Carnival launch, media conferences, the AAMI Victoria Derby barrier draw, Herald Sun Public Breakfast with the Stars and a number of other activities that had a link to Flemington and the Carnival.

A merchandise store was set up in the square over the two weeks along with betting and ticketing facilities.

EMIRATES MELBOURNE CUP PARADE SUPPORTED BY THE CITY OF MELBOURNE
A record number of jockeys and trainers involved in the 2005 Emirates Melbourne Cup participated in the Emirates Melbourne Cup Parade. Past champion horses including Brew, Subzero, Better Loosen Up, Just a Dash and Saintly also made appearances on the day.

At the conclusion of the Parade at Federation Square, jockeys and trainers signed autographs for the public, prizes were given away and the Emirates Melbourne Cup media conference, held on the main stage, provided the big crowd with up-to-date reports on the horses competing in the Cup.

PIN & WIN
For the past 10 years the VRC has aligned a charity with its popular Pin & Win promotion with all proceeds going to the nominated charity.

In 2005, the Club received and reviewed applications from 23 worthy charities wishing to be considered for nomination as the official charity of the Melbourne Cup Carnival. After a stringent review process, Challenge, which supports children and families living with cancer, was appointed for a two-year period.

Challenge, through its team of 300 volunteers, sold 75,000 Melbourne Cup Carnival lapel pins and raised $450,000. That record amount included a $100,000 raised through the VRC’s Chairman’s Dinner, which featured master tenor Luciano Pavarotti.

The promotion was heavily supported by existing Club sponsors, with Ritzenhoff providing a Smart Car as first prize.

Challenge has brought great new initiatives to the competition, developing new ways to drive pin sales.

Challenge entered into a corporate partnership with the Herald Sun allowing them to pre-sell 35,000 pins in the lead-up to the Melbourne Cup Carnival. It also introduced the diamanté pin for the first time in 2005 – a special pin featuring small diamantés was available to corporate customers for $10 and sold out.

In addition to the diamanté pins, Challenge also produced three pins containing real diamonds. These pins were auctioned at various VRC events including the Chairman’s Dinner. The diamond pins not only raised additional money for Challenge, but also contributed to raising the profile of the competition.

MAKYBE DIVA™ MERCHANDISE AGREEMENT
In May 2006, the Club announced it had signed an exclusive licensing agreement with Emily Krstina (Australia), owned by Mr Tony Santic, to manage memorabilia and merchandising for Makybe Diva™.

Following her retirement after her historic third Melbourne Cup win, Mr Santic and the Club were inundated with requests to produce Makybe Diva™ memorabilia and the first range of items including caps, coffee mugs and lapel pins went on sale at the Grand National Hurdle meeting in July 2006. The major item of merchandise, a DVD entitled The Diva – A Champion Becomes a Legend was released during the 2006 Melbourne Cup Carnival.

A percentage of sales from the memorabilia items will be distributed to the Makybe Diva Trust Fund, a charitable trust established by Tony Santic.
MEDIA AND PUBLICITY
Publicity from the Melbourne Cup Carnival in 2005 reached unprecedented levels with Rehame evaluating television and print coverage of the Carnival to ascertain its media value. Rehame estimated the Melbourne Cup Carnival generated a total media value of $95.6 million, which equates to a 67% increase on 2004. Print coverage in particular was outstanding with more than 15,000 items identified providing coverage, estimated at a value of almost $47 million.

The Club is extremely grateful to all sections of the media for their continued support of our great Carnival and all VRC race meetings throughout the year.

WEBSITE
The past 12 months have been a time of rapid growth for the Club’s website. The acquisition of numerous wagering related domain names, along with a 35% increase in visitation by Carnival goers, has significantly increased website visitors. In addition to these factors, the website receives regular, relevant content changes, which means it ranks highly in search engines, which in turn drives more traffic with unique sessions increasing by almost 200%, from 823,900 to 2,450,000.

EMIRATES MELBOURNE CUP TOUR
The Emirates Melbourne Cup Tour was run for the third time in 2005 with the Cup Trophy being shown in 25 destinations across Australia, New Zealand and Ireland in the lead-up to Emirates Melbourne Cup Day. There was particularly strong interest in the 18 carat trophy (made by Hardy Brothers Jewellers) in:

- Streaky Bay (SA) the home town of Melbourne Cup winning jockey Kerrin McEvoy who won the Cup in 2000
- Port Hedland (WA) where Damien Oliver attended with 1999 Cup winner Rogan Josh
- Skipton (Vic), the home town of former VRC Chairman LKS Mackinnon and the town after which the 1941 Melbourne Cup winner was named.

Many other racing and community personalities were involved in the Tour, including jockeys Roy Higgins, John Letts, Ray Selkirk, Pat Hyland, John Miller and Jim Johnson; trainer Lee Freedman; bloodstock auctioneer Reg Inglis and AFL players Mark Ricciuto and Simon Black.

As part of the Tour, retrospective Melbourne Cups were presented to the following people or their family representatives for wins between 1919 and 1972, when trophies were not presented to trainers or jockeys: Yvonne Barbeta (family of Titch Wilson, winning jockey – 1922, 1923)
Midge Didham (winning jockey – 1970)
Mrs Betty Kennedy (family of Ted O’Sullivan, winning jockey – 1921)
George Duncan (family of Bill Duncan, winning jockey – 1932)
Mrs Val McGregor (family of Arch McGregor, winning trainer – 1962)
Mrs Lynne Tucker (family of Ivan Tucker, winning trainer – 1954)
Mrs Denise Bergamin (family of Pat Glennon, winning jockey – 1950, 1959)
Mr John Miller (winning jockey – 1966)
Mr Ray Selkirk (winning jockey – 1961)
Mr Jim Shean (family of Fred Shean, winning jockey – 1938)
Mr Peter Heagney (family of Graeme Heagney, winning trainer – 1963)
Mr Ray Neville (winning jockey – 1948)
Mrs Gai Waterhouse (family of Tommy Smith, winning trainer – 1955)
Mrs Janice Matthews (family of Bob Sinclair, winning trainer – 1953)
Mr Wayne Dickinson (family of Jim Pike, winning jockey – 1930)
Mrs Nancy Telford (family of Harry Telford, winning trainer – 1930)
Mrs Kathleen Hartney (family of Vic Hartney, winning jockey – 1943)
Mr Bill Williamson Jnr (family of Bill Williamson, winning jockey – 1952)
Mr Bob Heasley (winning trainer – 1970)
Mr Bart Cummings (winning trainer – 1965, 1966 and 1967, family of Jim Cummings, winning trainer – 1950)

The VRC acknowledges the key sponsorship of Emirates and the supporting role of Telstra BigPond in making this unique and exciting event possible.

MELBOURNE CUP CLUB
The Melbourne Cup Club was introduced in 2005/2006 with the aim of developing a website totally dedicated to the Emirates Melbourne Cup. The Club was launched on 1 October 2005 and in just 10 months activity has attracted more than 3,000 online members.

The Melbourne Cup Club targets an online audience and promotes news, views and interviews of people connected with the Emirates Melbourne Cup. Its archival material on the 145-year history of the Cup is amazing in its depth and provides the most unique search facility that allows the user to research virtually any Melbourne Cup fact.

We anticipate the Melbourne Cup Club (www.melbournecupclub.com.au) will continue to develop strongly in the future and will become the most definitive reference for Australia’s greatest race.
Sponsorship and Corporate Development

During 2005/2006 the ever increasing strength and attraction of the Melbourne Cup Carnival and the power of the Flemington brand were the driving forces behind continued revenue growth from the corporate sector in both sponsorship and corporate hospitality.

The Sponsorship and Corporate Development Department’s primary focus was to work closely with corporate partners and clients to ensure their investment with the Club was maximised.

Four key strategic components underpinned corporate revenue growth for the year.

- High level of client service and delivery of benefits
- High client retention rate
- Innovation and development of corporate products
- Communication with partners and clients.

SPONSORSHIP

A total of 67 companies sponsored at Flemington during the Season with gross revenue from sponsorship growing by 12%.

A total of 41 existing sponsors renewed contracts and 15 companies became sponsors for the first time.

The main factors contributing to revenue growth in sponsorship were:

- Achieving a sponsor retention rate of 88%
- A new five-year sponsorship contract was signed with major sponsor AAMI taking its sponsorship of the AAMI Victoria Derby through to 2009. AAMI has been a Club sponsor since 1992
- A new three-year sponsorship contract was signed with Fashions on the Field/ Derby Day Race Sponsor MYER, which was elevated to Major Partner status
- A new three-year sponsorship contract was signed with Darley for the Australian Cup
- Continued development of non-race based Associate sponsorships
- Increased sponsorship fees for all new Melbourne Cup Carnival sponsor contracts.

Crown Casino also signed a new five-year contract to continue its sponsorship of the Crown Oaks from 2007 to 2011. Crown has been a major sponsor of the Club for the past 10 years and in addition to its on-course support, Crown has worked closely with the Club to develop the Oaks Club Luncheon into one of the standout functions during Cup week.

Significant emphasis was also placed on broadening the involvement of existing sponsors and encouraging them to leverage their sponsorship involvement with other Club programs, functions, events and promotions. This resulted in greater sponsor support for the Emirates Melbourne Cup Tour, Live Site, MYER Fashions on the Field, Herald Sun Breakfast with the Stars, International Dinner Series, Melbourne Cup Business Network, Young Members, Members’ Golf Tournament and Members’ National Gallery of Victoria evening.

During the Melbourne Cup Carnival, 32 races were sponsored and an additional nine companies took up Associate sponsorship packages. In addition to the new AAMI and MYER agreements, Telstra BigPond, Hilton International, Lavazza, Lexus, Liberty Financial, Nestlé Peters, Antler Luggage, Helvetica Wealth Management Partners, Macquarie Bank, National Australia Bank and Sofitel all renewed sponsorships.

New sponsor agreements for the Melbourne Cup Carnival were negotiated with Ritzenhoff, The Age, Andrew McManus Presents, Motor City and City of Melbourne.

THE BIRDCAGE

The uniqueness of The Birdcage continued to be highlighted by the considerable investment by sponsors in their hospitality during the Carnival.

The emphasis on celebrities and media was more prominent and contributed enormously to the overall publicity and profile of The Birdcage. In particular, the efforts of Emirates, MYER, Moët and Chandon, Telstra BigPond, NAB, AAMI, Andrew McManus Presents, ACP, Lengines, Motorola, Macquarie Bank, Lexus, Seppelt Wines, Lavazza, L’OREAL Paris and Tabcorp were outstanding.

In the Autumn, Darley headed the list of sponsors for the Flemington Festival of Racing with its continuation of the Australian Cup sponsorship. The two-day Festival was well supported with sponsors that included Schweppes, Seppelt Wines, Cadbury, PFD Food Services, Vili’s Pies, Jayco, Mitty’s and Northland.

Irish Day was supported by TCL Electronics, Limerick Lane, Waterford Crystal and Shamrock Travel.

The popular Winter Championship was again sponsored by Screens Australasia and the Grand National Hurdle and Steeplechase meetings continued to attract sponsorship support by regulators Cleanevent, Hanan Displays, Curran Chemicals and VES Collex.

Continued corporate revenue growth was underpinned by high client service, delivery of benefits and the development of corporate products.
In the early part of the Spring, the Girls’ Day Out and Melbourne Cup Carnival Preview meetings were well supported by sponsors NIVEA VISAGE, Henry Buck’s, Antler Luggage, Northland, TCL Electronics, Concept Sports, Gilgai Farm, Blazer, Peter Rowland Catering, Jayco and Scalzo Food Industries.

The Club took sponsor reporting to a new level in 2005/2006 with all Melbourne Cup Carnival sponsors provided with a comprehensive, tailored, web-based report protected by a secure log in code and password. Each report features a key point summary of the sponsor contract, video footage of the sponsored race and trophy presentation, photographic images of sponsor activity, the Club’s marketing and brand strategy, the major Carnival events and promotions, a summary of the Carnival achievements and results from the sponsor brand measurement analysis.

New and potential sponsors can now view a generic 2005 Melbourne Cup Carnival report on the Club’s website.

The growth in the success of the Melbourne Cup Carnival has also attracted an increasing amount of ambush marketing activity. Flemington railway station (controlled by Connex), Footscray Park and air space above the Flemington Racecourse are all avenues for ambush marketing that now need to be monitored. The Club intends to aggressively target those organisations undertaking such activities.

CORPORATE MARQUEES
Gross revenue from corporate marquees over the four days of the Melbourne Cup Carnival recorded a healthy 14% increase. This result was underpinned by a client retention rate of 79%, a tremendous endorsement of the Club’s corporate marquee product.

The strong link between corporate hospitality and sponsorship was a major catalyst for growth in both corporate marquee and corporate suite sales during 2005/2006.

The result was particularly pleasing given the highly competitive market for major sports event corporate hospitality and the inclusion of the 2006 Commonwealth Games in Melbourne in March onto the state’s sporting calendar.

A total of 123 marquees were erected in the Ascot, Trackside, Winning Post and Home Straight Enclosures with 147 individual companies participating. Marquees purchased for the four days of the Carnival accounted for 69% of sales with the remainder of clients opting for an individual day purchase.

The improved sales result was achieved through:
• The successful introduction and sale of additional double storey and elevated structures overlooking the track in both the Winning Post and Trackside Enclosures
• The early launch of marquee packages to existing clients in January 2005 and full sales launch in March 2005
• A high demand for additional tickets predominantly driven by the increased number of clients opting for the cocktail, stand-up format
• Capping the allocation of marquee products offered to on-sellers to 30%.

A range of new initiatives were implemented in 2005 to improve the corporate marquee experience
• EFTPOS facilities were placed in all corporate enclosures
• A two-way track crossing system for the Winning Post Enclosure to the Course Proper was introduced
• The introduction of new timber slated fence paneling in the Winning Post Enclosure Marquees
• The upgrading of the outdoor furniture component to the standard marquee package
• Innovative catering packages were created to complement the growing demand for the cocktail style entertaining format.

CORPORATE SUITES
Gross revenue from corporate suites sold annually and for the Melbourne Cup Carnival increased by 9.1%.

All Mounting Yard suites and five of the 10 Hill Stand suites were sold annually (100% retention rate). The remaining five Hill Stand suites were sold either on a four-day basis (two as part of sponsorship packages) or on individual days over the Melbourne Cup Carnival.

During the Season, suites continued to be successfully built into individual raceday sponsor packages and marketed to regular corporate clients.
OBJECTIVES
The following objectives were set by the Club for Peter Rowland at Flemington Catering in 2005/2006:

- To ensure VRC Members get value for money on food and beverages
- To ensure a consistent level of service and product on food, beverages and service quality
- Maximise financial return to both Victoria Racing Club and Peter Rowland at Flemington Catering
- Maintain the catering operation to the highest standard ensuring compliance with all state and Federal legislation
- Continue ongoing training programs and career opportunities for all staff employed on both a permanent and casual basis.

Through a close working party both the Club and Peter Rowland at Flemington Catering are committed to delivering these objectives by:

- Setting clear goals at the start of each Racing Season
- Continuing to develop strategies and long term plans to ensure the objectives are clearly defined and achievable.

FACILITY IMPROVEMENTS
During the year the Club committed extensive funds to ensure facilities could be not only maintained, but improved. Completed in time for the Festival of Racing was an upgrade to The Peak floor. Works in the Chicquita Room were undertaken to overcome liquor licensing issues that developed out of the 2004 Melbourne Cup Carnival. In addition, kitchen facilities across the course received upgraded equipment to maintain service and quality.

2005 MELBOURNE CUP CARNIVAL
The Club’s objectives to maintain excellence in both operational and financial aspects as well as food quality and service standards were achieved.

Budgeted net profit was exceeded by 30% due to record crowds. This was achieved by a strong focus and commitment by the Peter Rowland at Flemington Catering team to ensure the correct organisational structure and tools were made available. Following close liaison with the Victoria Police, the problems experienced in the Champagne Bar in 2004 were alleviated with a new system incorporating the Chicquita Room and the first floor of the Champagne Bar.

The Phar Lap Marquee in the Members’ Car Park was well received by Members as a consequence of its new look and menu style. The Hill Precinct and Party Bar serviced the record crowds with changes made to expand it on Emirates Melbourne Cup Day to help accommodate the public who came out to witness the Makybe Diva phenomenon.

Big screens, catering and betting facilities serviced the patrons in this area. During the Carnival the corporate enclosures were serviced by Melbourne’s leading caterers. In the Ascot Enclosure, Trackside Enclosure, Champions Marquee and Phar Lap Marquee we had Peter Rowland Major Events. The Hill Enclosure, Carbine Marquee and The Banks were catered for by Epicure Catering and the Winning Post and Home Straight Enclosures by Life’s a Party Catering.

A panel of Melbourne caterers serviced Members, sponsors and their guests in The Birdcage. These included Epicure Catering, Libby Reid Catering, Peter Rowland Catering and The Big Group. Members and their guests in The Rails, The Nursery and The Domain were looked after by the abovementioned Birdcage panel and by Damm Fine Foods and Table Matters. Chefscene provided hampers and a pre-ordered liquor distribution service.

The Club recently went to tender on all 2007 Carnival catering areas to ensure the standard and variety provided to Members, corporate, sponsors and public patrons are maintained for our return to Flemington after the 10 month break from racing due to the Track Reconstruction Project.

SUNDAY MARKET
Flemington Up Market is 10 years old this year and continues to be a popular event operating in The Nursery Car Park each month. The high standards set by the organisers, Craft Market Victoria, are a contributing factor in its ongoing popularity. The twilight market meetings leading into Christmas are extremely popular for those looking for something different to pop in a Christmas stocking.

BUBBLY SPARKLES IN A SAFER FORM IN 2006
A glass of bubbly goes hand in hand with the Melbourne Cup Carnival and in 2006 Flemington will see a world first – bubbly flowing from plastic bottles when the ever popular Seppelt Fleur de lys will be served in innovative glass-free packaging. Developed in consultation with Seppelt Wines, the Victoria Racing Club and Victoria Police, the new packaging will ensure a safer on-course experience.

Whilst reducing the amount of glass on the course, the new plastic bottle will still deliver the same Seppelt Fleur de lys taste that Carnival punters have enjoyed over the years. It will be lightweight, easy to carry, unbreakable and recyclable. The ongoing commitment of sponsors such as Seppelt Wines helps the Club to continue to improve the standard and delivery of the Melbourne Cup Carnival.

To ensure delivery of service, Peter Rowland at Flemington Catering employs over 2,300 employees to service the Melbourne Cup Carnival.
The Business Development Department’s mission is to maximise the financial returns from racing and non-racing activities for the benefit of the Club, and to provide customer service support for VRC Members, public customers and internal customers.

The Department is responsible for development and sales of The Chairman’s Club, The Terrace Restaurant, The Panorama Restaurant, Public Restaurant and Marquee Dining facilities during the Melbourne Cup Carnival, Flemington’s Customer Service Centre, Tourism marketing and sales, raceday group packages and corporate functions, Flemington – The Event Centre, The Melbourne Cup Business Network and the development of new business initiatives including dining and entertainment products.

Across a portfolio of business segments, the Department has been able to identify and develop new business opportunities and revenue streams for the Club through strategic customer relationship management and cohesive and proactive selling strategies.

In the 2005/2006 Season, the Business Development Department contributed over $9.3 million in net revenue to the Club.

THE CHAIRMAN’S CLUB
The Chairman’s Club continues to maintain its status as one of the most prestigious and exclusive corporate entertainment facilities within Australian and world sporting venues. Fully subscribed at 80 memberships, the Club continues to attract interest from interstate and overseas. A waiting list was established in 2005/2006 for companies wishing to join and they were accommodated with hospitality in another location until membership became available.

A library was built in The Chairman’s Club in 2005 and is stocked with a range of lifestyle magazines, horse racing books and encyclopedias. The library has proved to be a very popular addition with members, creating a relaxed retreat area on raceday.

THE TERRACE RESTAURANT
282 annual seats were sold in The Terrace Restaurant during the Season. On a number of racedays, annual table extensions and casual bookings took The Terrace Restaurant up to capacity at 550 guests.


Guest chef days are now very much part of The Terrace Restaurant and patrons thoroughly enjoyed the menus designed by Shane Delia from Chateau Yering in the Yarra Valley, Adrian Richardson from La Luna and John Hand from Peter Rowland Catering for TCL Plasma Irish Day.

The Terrace Restaurant patrons also enjoyed various promotions throughout the year including premium cheese tasting from King Island Dairy, wine tasting from Scotchmans Hill Winery, fashion wardrobe prizes from Perri Cutten and the major promotion over the 2005 Melbourne Cup Carnival was a Singapore package (flying Emirates and staying three nights at the Four Seasons Hotel in Singapore) and two Longines watches.

THE PANORAMA RESTAURANT
The Panorama Restaurant located on the third level on the Hill Stand has an annual membership of 92 seats. Many patrons have been long term members enjoying the great position with spectacular views of the winning post and Melbourne skyline.

The average occupancy of The Panorama Restaurant throughout the Racing Season was 74.2%. The facility also continued to enjoy full capacity on all four days of the Melbourne Cup Carnival and on several racedays throughout the year overflow dining from The Panorama Restaurant was relocated to the Hill Dining Room.

THE CUSTOMER SERVICE CENTRE (CSC)
The CSC is an integral part of the Club’s commitment to excellence in the service of its Members and customers. Through a 1300 number, the CSC assists with a wide variety of enquiries across a range of mediums including telephone, written, email, web and face-to-face. Reservations for all Club dining entertainment products, events and Membership renewals are taken through the CSC.

The 2005/2006 Season showed a strong level of growth within all areas of the CSC compared to 2004/2005:
- 103,000 calls were recorded compared to 92,586 the previous year – an increase of 11.25%
- The value of orders increased by 9.3% and was over $19 million
- The number of orders increased by 8.9%
- The number of email enquiries increased by 37% from 5,481 to 7,553.

By identifying new business opportunities, the Business Development Department contributed over $9.3 million in net revenue to the Club.
Customer Relationship Management (CRM)
The Club continued with its commitment to the development of CRM at Flemington and within the Victorian Racing Industry. An upgrade of the existing system is currently underway and scheduled for completion in March 2007. The new system will increase the ability to better develop one-on-one relationships with our customers.

High-quality data collection continues to be a priority for the Club and saw the completion of a major data load including cleansing of the data. The Club now possesses a significant database of customers that will assist the Club in increasing sales across various products and to understand opportunities to develop new product offerings.

Tourism and Groups
Relationships with tour operators and wholesalers, both interstate and internationally, have continued to be a key initiative. During the Season under review, travel trade shows were a major focus. The Club participated in the Arabian Travel Mart (ATM) held in Dubai, Australian Tourism Exchange (ATE) in Adelaide, and RSVP ’06 in Sydney. ATE is based on an appointment schedule where we had the opportunity to present the Melbourne Cup Carnival in a one-on-one environment, whereas ATM and RSVP ’06 were a mixture of consumer and trade registrants.

Tourism Victoria held its inaugural New Zealand Events Trade Mission in Auckland, which was attended by various major events and festivals from Victoria to present to key corporates, media and travel operators and wholesalers. Valuable relationships have been formed and increased with the international tourism industry and awareness created on an international level. An increase in Melbourne Cup Carnival bookings across a range of products has followed this initiative with over 47% or 32,018 of the Carnival’s international visitors originating from New Zealand.

The Carbine Marquee and Banks Enclosure experienced 32% and 42% growth respectively during the 2005 Melbourne Cup Carnival. The source of this growth is from the interstate market, and for the 2005 Carnival, 49,179 interstate visitors attended the event.

Reserved Grandstand seats increased by 21% from the previous Season, and pre-sales of general admission tickets increased by 17.5%.

Flemington – The Event Centre
The Event Centre continued with its growth in both revenue and the number of event enquiries. Some key points of the 2005/2006 year included:

- Growth in revenue of 18.6%
- 1,423 enquiries for the year – a 36% increase
- 68% increase in conference enquiries
- 81% increase in exhibition enquiries
- 28% increase in wedding enquiries.

366 events were held in the 2005/2006 year representing a 38% increase from the previous year.

The Peak has become one of the most sought after wedding venues in Melbourne. This market segment contributes $1.8 million per year to the total Event Centre revenue. One wedding saw The Peak transformed into an enchanting and exquisite setting. White organza was draped from the ceiling and wrought iron arrangements, which incorporated candles and beautiful white orchids, were placed at either end of the venue.

Growth also continues in the conference segment of the business where we experienced a 68% increase in enquiries. A key function this year was the KPMG National Graduate Induction Conference. Over a period of four days, 11 venues were transformed into workshops for 500 delegates. On the first day, delegates were greeted by event staff and ushered to The Members’ Stand to be welcomed by KPMG’s CEO. The diversity of the venue allowed for hamper lunches to be served on the Members’ Lawn amongst Flemington’s famous rose gardens.

Our dedicated website, www.flemingtonevents.com.au, has been our most valuable marketing tool over the past 12 months. 516 enquiries were generated via the ‘contact us’ form on the website and over the past 12 months we have had over 12,000 visitors to our home page with over 218,000 page views.
Flemington – The Event Centre won the award for best single stand at AIME 2006. AIME is the premier exhibition in the southern hemisphere for the meetings and incentives industry. The two-day event showcases the best Australian, Asia Pacific and international destinations, products and services and provides excellent professional education and networking opportunities. AIME 2006 included 850 exhibitors from 45 countries, 480 hosted buyers and 2,200 trade visitors. The stand incorporated some of our stunning images from past events and showcased the flexibility of Flemington’s venues.

The award was presented in front of 850 local and international guests at the Gala Dinner held at Crown Palladium. The Minister for Tourism and Major Events, and Minister for Racing – The Hon John Pandazopoulos MP, and Event Director – Rosemarie Sama presented the award to the Flemington Event Centre team.

THE MELBOURNE CUP BUSINESS NETWORK (MCBN)
MCBN is an initiative designed to assist networking and business building opportunities between Australian and international businesses in the lead-up to and during the Melbourne Cup Carnival. There are over 600 businesses that have registered both within Australia and overseas.

A special events program and dedicated website is in place and has been well supported by members of the network with over 3,000 visits a month. Membership is free and the Melbourne Cup Business Network will be an ongoing and sustainable initiative to assist in building relationships. Members of the MCBN who reside in cities where the Melbourne Cup International events have been held in 2005/2006 were invited to these exclusive events.

The VRC continues to work with Austrade to facilitate business matching opportunities.

EVENT AND PRODUCT DEVELOPMENT
A program of special events was established in 2005/2006 as a way of profiling Flemington – The Event Centre and creating a portfolio of annual events that the Club ‘owns’ and has equity in.

Events included Footy Finals Fever @ Flemington with special guests Sam Newman, Garry Lyon and James Brayshaw, an Anthea Crawford Spring/Summer Fashion Lunch and the first Women in Football Lunch with Dermott Brereton, Jo Silvagni, Sam Lane and Christi Malthouse.

Other initiatives included the development of a mini marquee precinct and the Deck Bar Lawn Enclosure area for NIVEA VISAGE Girls Day Out and Super Saturday, which catered for the interest and demand for dining and entertainment product on these racedays.
STAFFING
As at 31 July 2006, the Club staffing totalled 149 full time staff and 13 part time staff with 354 casual employees employed at race meetings and at the Club’s gaming venue.
Over the Melbourne Cup Carnival period the number of casual event operations staff engagements increased to approximately 1,500. Over 80% of the staff engaged in 2005 have indicated a desire to work at the 2006 Melbourne Cup Carnival. This high retention rate enables us to continually improve our services through these experienced and committed staff.

RISK MANAGEMENT
During 2005/2006 the Club undertook a Risk Profiling Project to formalise the identification, assessment and management of risks facing the Club.

The project will underpin the Club’s objective to ensure that the risk management process is at the forefront of business practices, and that everyone who has responsibility for an objective has the responsibility for the risks and controls associated with achieving that objective.

The Club, in partnership with RVL, is seeking to acquire and implement a risk management software program that will enable the Club to capture, monitor, analyse and review incidents, compliance and provide audit capabilities.

The Club also continued to provide its workforce, contractors and industry participants with effective guidelines, policies, consultation and training in relation to a safe working environment. The training will assist staff in carrying out their day-to-day functions in a safe manner in the following areas:

- Hazard identification and reporting
- Manual handling guidelines
- The safe use and storage of chemicals
- Incident reporting
- Hazardous substance register
- Chainsaw training
- Working in confined spaces
- Plant and equipment.

In addition, over 1,000 event staff (both regular and new) attended induction and information seminars, covering employment conditions and responsibilities, code of conduct, emergency management, risk identification and assessment, accreditation and racecourse familiarisation.

The commitment of the Club to reducing workplace incidents and accidents is reflected in the reduction of WorkCover premiums to 2.1%. The claims rate of the Club is lower than industry by 86.39% and performance is better than industry by 68.07%.

TRAINING AND DEVELOPMENT
Details of participants and courses undertaken in 2005/2006 are as follows:

<table>
<thead>
<tr>
<th>Course</th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Induction Course</td>
<td>465</td>
<td>385</td>
<td>850</td>
</tr>
<tr>
<td>CPA</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>First Aid</td>
<td>4</td>
<td>14</td>
<td>18</td>
</tr>
<tr>
<td>Introduction to Racing</td>
<td>4</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Steps to Excellence</td>
<td>2</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>Investment in Excellence</td>
<td>11</td>
<td>3</td>
<td>14</td>
</tr>
<tr>
<td>WorkCover</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Confined Spaces</td>
<td>6</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>Forklift Licence</td>
<td>5</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Database Marketing</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Statistics Modelling</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Supervision</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Time Management</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Rewards Program Management</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Media Management</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Drugs and Alcohol</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Chainsaw Safety</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Crisis and Risk Management</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Building Client Relationships</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Study Assistance*</td>
<td>3</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Cert 2 in Horticulture (Arboriculture)**</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
</tbody>
</table>

* 75% of costs are payable up to $5,000 per annum for approved courses of study
**To ensure the Club meets its future needs for a trained Arbourist, two staff have been enrolled in a Certificate 2 in Horticulture (Arboriculture).

The Club training strategy was expanded to encompass succession planning, mentoring, coaching and general education. Staff appraisals were conducted twice yearly with a focus on training needs and succession planning.

ART/HERITAGE/RECORDS MANAGEMENT
The function of the Art and Heritage Curator was transferred to the Human Resources Department during the year.

The role of the Curator has been expanded to encompass records management for all departments.

During the year, a number of diversified displays were showcased at the racecourse and VRC offices.

The conservation program focussed on archival materials and textiles, whilst the most significant purchase during the year was the 1955 Melbourne Cup (Toparoa).

1955 Melbourne Cup acquired 50 years after Toparoa’s win.

WORK ORGANISATION
Part time work arrangements continued for staff returning from maternity leave, as well as flexible working hours for staff with family responsibilities.

VRC was ranked 72 out of 410 participating organisations in the 9th National Work/Life Benchmarking Study.

All human resources policies are reviewed annually and particular attention was given during 2005/2006 to ensure the Club continues to meet its industrial relations obligations following the recent legislative changes.

Following the introduction of the new superannuation arrangements (successor fund transfer) during the year, information seminars and individual counselling (where requested) were provided to all staff.

Workplace Consultative Committees continued to meet on a monthly basis providing a forum to deal with workplace and occupational health and safety issues.

Close working relationships with both the Australian Workers’ Union and Media Entertainment and Arts Alliance ensured issues were resolved in a timely manner.

1955 Melbourne Cup acquired 50 years after Toparoa’s win.
FINANCIAL RESULT
The net surplus for the 2005/2006 financial year was $0.909 million. Considering the long running dispute between Tabcorp and TVN for the right to broadcast thoroughbred racing to wagering outlets and to homes, this was a more than satisfactory result.
The dispute had a significant affect on wagering turnover across the industry and resulted in the Club receiving wagering distributions of $255.38 million. In comparison to the previous Season, this was a reduction of $1.421 million. At the beginning of the 2005/2006 year the Club was forecasting an additional $1.8 million to that which was actually received.
As a result of reduced wagering distributions, the Club was more reliant than ever on its other revenue streams from racing and non-racing activities.
Overall, total revenue for 2005/2006 increased by $4.153 million compared to the previous year.

MELBOURNE CUP CARNIVAL
The 2005 Melbourne Cup Carnival, with a record four-day attendance total of 383,784 patrons, helped to achieve some significant increases in revenue. Admission revenue increased by $1.139 million on the previous Season as a result of the record attendance. Other revenues from racing activities increased by $3.090 million compared to the previous Season.

MEMBERS
Revenue from Members’ subscription fees and entrance fees increased by $0.337 million compared to the previous Season. With the Full Membership category at its optimum level the Club is now encouraging the uptake of Restricted Membership.

With first-class facilities and quality racing, the Club has been able to keep revenues from this source increasing.

NON-RACEDAY RESULTS
The Club’s non-raceday function business, Flemington – the Event Centre, continued with revenue growth in its second full year of operations. Revenues from this source totalled $3.8 million, an increase of $0.611 million compared to the previous year. The Club will continue to maximise the revenue from its facilities from a non-raceday perspective.

As an equal shareholder with the Australian Jockey Club in the Australian Stud Book, the Club has brought to account $0.670 million in revenue as its share of profits derived for the 2005/2006 year. The joint proprietors of the Australian Stud Book have introduced technological improvements that have allowed costs to breeders to be held and at the same time the costs of operating the Stud Book have reduced and thereby profits increased.

PRIZEMONEY
During the year the Club provided prizemoney of $34.633 million. This was an increase of $1.138 million compared to the previous Season. The Club was extremely satisfied that it was able to increase prizemoney to this extent given the previously mentioned downturn in wagering distributions. Other returns to owners, including riding fees and starter rebates, have been included in the budget of RVL as a result of the change in Distribution Scheme introduced from August 2005.
The Club provided $9.095 million in prizemoney in excess of what was received in wagering distributions.

NET CASH POSITION
The Club’s cash position at year-end was $4.379 million and is an area that received additional focus as the Club continues to fund the Flemington Masterplan improvements. To aid in this process the Club has arranged a $20.0 million borrowing facility. At the end of the financial year a debt level of $70.0 million was outstanding. The Club will continue to monitor its net cash position due to the seasonal nature of its cash flows and will therefore draw down and repay borrowed funds accordingly.

AUSTRALIAN ACCOUNTING STANDARDS
The Club has prepared the Financial Statements using Australian standards that comply with International Financial Reporting Standards (IFRS). The full impact of complying with those standards has been disclosed within the Financial Statements and accompanying notes.

BETTING
Off Course Wagering turnover on Flemington race meetings totalled $421 million, an increase of 2.67% on the previous Season. On-Course Wagering turnover totalled $58.4 million for the Season. Turnover from bookmakers increased by $2.653 million or 1.6% for the Season. Total turnover was $647.7 million.
Corporate Governance

The Committee of the Victoria Racing Club is responsible for the governance of the Club. Governance is a matter of high importance and is a fundamental part of the culture and business practices of the Club.

A description of the Club’s main corporate governance practices follows. All these practices, unless otherwise stated, were in place for the entire year.

COMMITTEE COMPOSITION AND TERM OF OFFICE
- The Committee consists of nine independent Members and the Chief Executive
- Each Committee Member must resign office every three years and seek re-election
- The Chairman, Vice Chairman and Honorary Treasurer are appointed each year
- The Chairman must vacate the Office of Chairman at the Annual General Meeting following the date on which the Chairman attains the age of 68
- Committee Members must resign office immediately upon attaining the age of 72
- It is the Committee’s intention to seek Members with a broad range of skills and experience to aid it in carrying out its responsibilities and in meeting the Club’s strategic objectives
- Should a casual vacancy arise on the Committee, existing Committee Members have the power to fill that vacancy with a Member of their choice, after considering the skills and experience of existing Committee Members.

COMMITTEE RESPONSIBILITY
The Committee meets on a monthly basis and on separate occasions, as the need arises, to discuss developments and issues and to review the operations of the Club. The Committee is responsible for:
- Ensuring management of the Club continuously and effectively strives to meet the goals and objectives of the Club
- Contributing to the development of and approving the strategic direction of the Club
- Assisting Management in establishing and monitoring goals
- Reviewing and approving business plans, the annual budget and capital expenditure initiatives
- Monitoring and reviewing the risk management processes of the Club
- Appointing and assessing the performance of the Chief Executive
- Approving senior executive appointments and reviewing executive succession planning.

SUB-COMMITTEES
The Committee, where required, will establish sub-committees to assist in carrying out its primary functions. These sub-committees will meet as required and will act in an advisory capacity making recommendations to the Full Committee. Examples of sub-committees active over the last year include:
- Audit
- Remuneration
- Grounds and Facilities
- Course Proper track reconstruction
- Masterplan working party
- Administration building
- Race Programming.

CHAIRMAN AND CHIEF EXECUTIVE
- The Chairman is responsible for leading the Committee, ensuring that Committee activities are organised and efficiently conducted.
- The Chief Executive is responsible for implementing strategies and policies formulated to reflect the Club’s current goals and objectives. It is also the responsibility of the Chief Executive to ensure the Club’s operations are effectively and efficiently managed.

CORPORATE REPORTING
The Chief Executive and the General Manager Finance annually make the following representations to the Committee:
- That the Financial Statements are complete and present a true and fair view, in all material respects, of the financial position and operating results of the Club.
- That the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the Committee and that the Club’s risk management and internal controls are operating efficiently and effectively.
AUDIT COMMITTEE
The Audit Committee consists of the following Committee Members:
P J Fekete (Chairman)
P C Barnett
M S Burn
This Committee meets on at least three occasions throughout the year according to its terms of reference and then on further occasions as the need arises. The Committee meets with and receives regular reports from the internal and external auditors and from Management. The Committee presents its findings and makes recommendations to the Full Committee.
The Audit Committee operates in accordance with its terms of reference and its main responsibilities include:
• Reviewing the Financial Statements to determine whether they are complete and consistent with the information known to Committee Members and to assess whether the Financial Statements reflect appropriate accounting policies
• Gaining an understanding of the areas of greatest risk and the risk management framework adopted by Management to manage those risks
• Discussing with external auditors any issues and making recommendations arising from the audit
• Selection, evaluation and compensation of the external auditor.

INTERNAL AUDIT
The Club has an internal audit program in place which is designed to assist Management in improving procedures and operations and to ensure the Club has an established framework of internal controls.
The Audit Committee is responsible for ensuring that an adequate internal audit program is in place and for reviewing the findings from the work conducted by the internal auditor.

CODE OF CONDUCT
The Club has developed separate Codes of Conduct for Committee Members and for employees.
The Code of Conduct for both Committee Members and employees aims for the highest standards of professionalism and ethical behaviour to be maintained at all times.

CONFLICTS OF INTEREST
Committee Members are expected to avoid any action, position or interest that conflicts with an interest of the Club or may give any appearance of such a conflict. A Committee Member who has a conflict or a perceived conflict of interest with that of the Club must bring it to the notice of other Committee Members.
The general principle adopted by the Committee is that should any Committee Member have a material interest in any matter that is being considered by the Committee, then that Committee Member will not be present while the matter is being considered.

REMUNERATION OF SENIOR EXECUTIVES
A Remuneration Committee comprising the Chairman, Vice Chairman and Honorary Treasurer review senior executive remuneration annually. The Chief Executive also attends these meetings.
Recommendations submitted to the Committee are based on annual performance appraisals conducted by the Chief Executive.
The Committee of the Victoria Racing Club (the Club) presents its Report, together with the Financial Statements, for the year ended 31 July 2006.

MEMBERS OF THE COMMITTEE
The following persons were Members of the Committee of the Club during the whole of the financial year and up to the date of this Report:

- R M Fitzroy
- P C Barnett
- P J Fekete
- W R Mackinnon
- P T Leeds
- Mrs A M Elliott
- M S Burn
- Miss K L Bourke
- D G Monteith

T M Poole was appointed to the Committee on 1 July 2006 and continues as a Member of the Committee at the date of this Report.

D H Reid OAM was a Member of the Committee from the beginning of the financial year until his resignation on 30 June 2006.

COMMITTEE MEETINGS
The number of Committee meetings and the number of meetings attended by each Member of the Committee are set out in the following table.

<table>
<thead>
<tr>
<th>Committee Member</th>
<th>Total possible meetings</th>
<th>Total attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rod Fitzroy</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Peter Barnett</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Peter Fekete</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Doug Reid OAM</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>Bill Mackinnon</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Paul Leeds</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Amanda Elliott</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Michael Burn</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Katherine Bourke</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Tim Poole</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Dale Monteith</td>
<td>11</td>
<td>11</td>
</tr>
</tbody>
</table>

INFORMATION ON COMMITTEE MEMBERS
Information on individual Committee Members is outlined on pages 5–7 of the Annual Report.

PRINCIPAL ACTIVITIES
The principal activities of the Club during the year were the conduct of race meetings at Flemington Racecourse and the provision of training facilities for horses stabled and trained at Flemington.

RESULTS AND REVIEW OF OPERATIONS
The net surplus of the Club was $0.909 million compared to $2.186 million for the previous year. The Committee was satisfied with this result given the contractual dispute between TVN and Tabcorp and the effect that it had on wagering turnover. The Club received $1.8 million less in wagering distribution than it had originally forecast and therefore relied on other segments of its operations to ensure the Club recorded a surplus. Some significant financial items of note include the following:

- Additional prizemoney of $1.142 million for the Season
- A record four-day attendance aggregate for the 2005 Melbourne Cup Carnival, increasing admission revenues by $11.38 million
- Other additional race meeting revenues, primarily from the Melbourne Cup Carnival, of $0.496 million
- Increased revenue from non-race day function business generated from Flemington – The Event Centre of $0.611 million.

The Financial Statements on the following pages have been prepared using Australian standards that comply with International Financial Reporting Standards (IFRS). The full impact of complying with those Standards has been disclosed according to requirements contained within those Standards.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS
During the year the Club continued with work associated with the Flemington Masterplan. Major projects commenced during the year included the Bund Wall, which is due to be completed in November 2006, and the replacement of the South Community stable complex, which is due for completion in December 2006. The Flemington wetlands project, designed to assist drainage of the Racecourse grounds and to complement flood mitigation, was completed in May.

Works on the reconstruction of the Course Proper and the redevelopment of the horse stalls and parade ring are both set to commence immediately after the 2006 Melbourne Cup Carnival.

SIGNIFICANT EVENTS AFTER BALANCE DATE
On the 14 September 2006, the Club issued a letter of acceptance to Akron Roads Pty Ltd for civil and engineering works for the Course Proper upgrade. The accepted price for those works was $8.1 million.

Throughout the year the Club worked on having the legal status of the Club changed from an unincorporated body to an incorporated body. Victoria Racing Club Limited became a registered company under the Corporations Act 2001 on the 10 April 2006. Existing rights, obligations, assets and liabilities of the Victoria Racing Club were transferred to Victoria Racing Club Limited under the provisions of the Victoria Racing Club Limited Act 2006, as of the 1 August 2006.

AUDITOR
The firm of Deloitte Touche Tohmatsu continues in office as the Club’s Auditor. A copy of the Auditor’s independence declaration is included in the Financial Statements on page 62.

ROUNDING OF AMOUNTS
The amounts contained in this Report and in the Financial Report have been rounded off to the nearest thousand. Signed in accordance with a resolution of the Committee.

Rodney M Fitzroy
Chairman
Melbourne, 25 October 2006
Financial Statements
## Income Statement
for the financial year ended 31 July 2006

### Income

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Thoroughbred Racing Industry Distributions (Note 1(o))</td>
<td>25,538</td>
<td>26,959</td>
</tr>
<tr>
<td>Admissions</td>
<td>9,860</td>
<td>8,730</td>
</tr>
<tr>
<td>Betting Levies and Commissions</td>
<td>4,168</td>
<td>3,648</td>
</tr>
<tr>
<td>Catering, Dining and Restaurants</td>
<td>16,602</td>
<td>15,292</td>
</tr>
<tr>
<td>Corporate, Membership and Public Facilities</td>
<td>14,632</td>
<td>14,515</td>
</tr>
<tr>
<td>Acceptance Fees</td>
<td>3,201</td>
<td>2,506</td>
</tr>
<tr>
<td>Sponsorships and Broadcast Rights</td>
<td>11,084</td>
<td>9,861</td>
</tr>
<tr>
<td>Other Raceday Revenue</td>
<td>918</td>
<td>1,693</td>
</tr>
<tr>
<td>Racecourse</td>
<td>1,977</td>
<td>2,198</td>
</tr>
<tr>
<td>Members’ Subscriptions and Entrance Fees</td>
<td>11,855</td>
<td>11,518</td>
</tr>
<tr>
<td>Interest</td>
<td>623</td>
<td>1,030</td>
</tr>
<tr>
<td>Gaming and Functions</td>
<td>6,295</td>
<td>5,409</td>
</tr>
<tr>
<td>Other Revenue (Note 4)</td>
<td>1,911</td>
<td>1,204</td>
</tr>
<tr>
<td>Share of net profits of associates and jointly controlled entities accounted for using the equity method (Note 1(d),(e),(9))</td>
<td>746</td>
<td>475</td>
</tr>
<tr>
<td>Net gain on Disposal of fixed assets</td>
<td>34</td>
<td>262</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>109,453</td>
<td>105,300</td>
</tr>
</tbody>
</table>

### Expenditure

Returns to Owners:

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Prizemoney</td>
<td>34,633</td>
<td>33,495</td>
</tr>
<tr>
<td>– Other Payments and Subsidies</td>
<td>7</td>
<td>907</td>
</tr>
<tr>
<td>Catering, Dining and Restaurants</td>
<td>13,841</td>
<td>12,481</td>
</tr>
<tr>
<td>Corporate, Membership and Public Facilities</td>
<td>6,771</td>
<td>6,624</td>
</tr>
<tr>
<td>Sponsorships and Broadcast Rights</td>
<td>622</td>
<td>863</td>
</tr>
<tr>
<td>Other Raceday Expenditure</td>
<td>10,276</td>
<td>10,403</td>
</tr>
<tr>
<td>Racecourse Maintenance</td>
<td>12,149</td>
<td>10,870</td>
</tr>
<tr>
<td>Administration</td>
<td>6,012</td>
<td>5,713</td>
</tr>
<tr>
<td>Gaming and Functions</td>
<td>3,334</td>
<td>3,007</td>
</tr>
<tr>
<td>Information Technology</td>
<td>926</td>
<td>954</td>
</tr>
<tr>
<td>Marketing and Business Development</td>
<td>7,158</td>
<td>5,685</td>
</tr>
<tr>
<td>Membership</td>
<td>3,096</td>
<td>2,718</td>
</tr>
<tr>
<td>Occupancy</td>
<td>826</td>
<td>697</td>
</tr>
<tr>
<td>Loss on Disposal of fixed assets</td>
<td>132</td>
<td>–</td>
</tr>
<tr>
<td>Impairment of fixed assets</td>
<td>60</td>
<td>–</td>
</tr>
<tr>
<td>Depreciation (Note 1(f))</td>
<td>8,701</td>
<td>8,697</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td>108,544</td>
<td>103,114</td>
</tr>
</tbody>
</table>

**Net Surplus (Note 2)** | 909   | 2,186 |

The accompanying notes form part of these Financial Statements.
## Balance Sheet
as at 31 July 2006

<table>
<thead>
<tr>
<th>Assets</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Assets</td>
<td>4,379</td>
<td>14,906</td>
</tr>
<tr>
<td>Receivables and Prepayments</td>
<td>14,453</td>
<td>11,929</td>
</tr>
<tr>
<td>Inventories (Note 1(b))</td>
<td>624</td>
<td>490</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>19,456</td>
<td>27,325</td>
</tr>
<tr>
<td><strong>Non-Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments (Note 1(c), 9)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Australian Stud Book</td>
<td>677</td>
<td>1,007</td>
</tr>
<tr>
<td>– Australian Prices Network</td>
<td>101</td>
<td>150</td>
</tr>
<tr>
<td>Investment in 3UZ Sport 927 at fair value</td>
<td>2,135</td>
<td>2,135</td>
</tr>
<tr>
<td>Investment in ThoroughVision Pty Ltd at fair value</td>
<td>3,960</td>
<td>3,960</td>
</tr>
<tr>
<td>Other Financial Assets</td>
<td>55</td>
<td>55</td>
</tr>
<tr>
<td><strong>Total Investments</strong></td>
<td>6,928</td>
<td>7,307</td>
</tr>
<tr>
<td>Property, Plant and Equipment (Note 1(f), (g), 10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freehold Land at Racecourse at cost</td>
<td>1,322</td>
<td>1,322</td>
</tr>
<tr>
<td>Buildings and Infrastructure at cost</td>
<td>91,895</td>
<td>84,704</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(39,097)</td>
<td>(34,567)</td>
</tr>
<tr>
<td>Plant and Equipment and Furniture and Fittings at cost</td>
<td>79,493</td>
<td>63,036</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(41,271)</td>
<td>(37,573)</td>
</tr>
<tr>
<td>Construction Work in Progress</td>
<td>16,817</td>
<td>13,230</td>
</tr>
<tr>
<td>Leased Assets (Note 1(g), 10)</td>
<td>66</td>
<td>66</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(39)</td>
<td>(29)</td>
</tr>
<tr>
<td><strong>Total Property, Plant and Equipment</strong></td>
<td>109,186</td>
<td>90,189</td>
</tr>
<tr>
<td><strong>Total Non-Current Assets</strong></td>
<td>116,114</td>
<td>97,496</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>135,570</td>
<td>124,821</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>8,280</td>
<td>6,963</td>
</tr>
<tr>
<td>Borrowings (Note 12)</td>
<td>7,024</td>
<td>2,2</td>
</tr>
<tr>
<td>Fees and Charges in Advance</td>
<td>17,620</td>
<td>16,755</td>
</tr>
<tr>
<td>Employee Benefits Provision (Note 1(m), 13, 15)</td>
<td>920</td>
<td>957</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>33,844</td>
<td>24,697</td>
</tr>
<tr>
<td><strong>Non-Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>750</td>
<td>1,250</td>
</tr>
<tr>
<td>Employee Benefits Provision (Note 1(m), 13, 15)</td>
<td>4,708</td>
<td>4,961</td>
</tr>
<tr>
<td>Borrowings (Note 12)</td>
<td>–</td>
<td>23</td>
</tr>
<tr>
<td><strong>Total Non-Current Liabilities</strong></td>
<td>5,458</td>
<td>6,234</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>39,302</td>
<td>30,931</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>96,268</td>
<td>93,890</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated Funds (Note 2)</td>
<td>92,576</td>
<td>90,198</td>
</tr>
<tr>
<td>Available-For-Sale Revaluation Reserve (Note 3)</td>
<td>3,692</td>
<td>3,692</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>96,268</td>
<td>93,890</td>
</tr>
</tbody>
</table>

The accompanying notes form part of these Financial Statements.
Statement of Recognised Income and Expense
for the financial year ended 31 July 2006


<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Available-For-Sale Investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valuation Gain taken to Equity</td>
<td>–</td>
<td>2,460</td>
</tr>
<tr>
<td>Actuarial Gain/(Loss) on Defined Benefit Plan</td>
<td>1,469</td>
<td>(818)</td>
</tr>
<tr>
<td>Net Income Recognised Directly in Equity</td>
<td>1,469</td>
<td>1,642</td>
</tr>
<tr>
<td>Surplus for the Period</td>
<td>909</td>
<td>2,186</td>
</tr>
<tr>
<td><strong>Total Recognised Income and Expense for the Period</strong></td>
<td><strong>2,378</strong></td>
<td><strong>3,828</strong></td>
</tr>
</tbody>
</table>

The accompanying notes form part of these Financial Statements.
# Cash Flow Statement

for the financial year ended 31 July 2006

<table>
<thead>
<tr>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
</tr>
</tbody>
</table>

## Cash Flows from Club Operating Activities:

- Receipts from Racing Industry Distribution  
  - 2006: 24,396  
  - 2005: 27,035

- Receipts from Members  
  - 2006: 12,437  
  - 2005: 10,901

- Receipts from Racing Activities  
  - 2006: 58,412  
  - 2005: 57,806

- Receipts from Gaming and Functions  
  - 2006: 6,295  
  - 2005: 4,898

- Receipts from Racecourse  
  - 2006: 1,977  
  - 2005: 2,198

- Receipts from Other Activities  
  - 2006: 1,919  
  - 2005: 1,199

- Payments for Prizemoney  
  - 2006: (34,679)  
  - 2005: (33,247)

- Payments for Racing Activities  
  - 2006: (31,399)  
  - 2005: (31,341)

- Payments for Racecourse Maintenance  
  - 2006: (11,533)  
  - 2005: (10,578)

- Payments for Administrative Costs  
  - 2006: (6,321)  
  - 2005: (5,328)

- Payments for Marketing and Business Development  
  - 2006: (6,814)  
  - 2005: (5,322)

- Payments for Information Technology  
  - 2006: (926)  
  - 2005: (954)

- Payments for Membership  
  - 2006: (3,169)  
  - 2005: (2,546)

- Payments for Occupancy  
  - 2006: (826)  
  - 2005: (349)

- Payments for Gaming and Functions  
  - 2006: (3,323)  
  - 2005: (3,007)

- Interest Received  
  - 2006: 652  
  - 2005: 1,058

- Interest and Other Costs of Finance Paid  
  - 2006: (69)  
  - 2005: (99)

- **Net Cash provided by Club Operating Activities (Note 16)**  
  - 2006: 7,029  
  - 2005: 12,324

## Cash Flows from Investing Activities:

- Payments for Buildings and Infrastructure  
  - 2006: (1,012)  
  - 2005: (5,654)

- Payments for Plant and Equipment  
  - 2006: (17,119)  
  - 2005: (5,844)

- Payments for Construction Work in Progress  
  - 2006: (8,588)  
  - 2005: (9,171)

- Proceeds from the Sale of Assets  
  - 2006: 2,038  
  - 2005: 1,195

- Distribution from Equity Accounted Investments  
  - 2006: 1,125  
  - 2005: 150

- (Payment of)/Proceeds from Repayment of Short Term Loans  
  - 2006: (500)  
  - 2005: 1,500

- Payments for Investments  
  - 2006: (500)  
  - 2005: –

- **Net Cash used in Investing Activities**  
  - 2006: (24,556)  
  - 2005: (17,824)

## Cash Flows from Financing Activities:

- Proceeds from Borrowings  
  - 2006: 7,000  
  - 2005: –

- Repayments of Borrowings  
  - 2006: –  
  - 2005: (233)

- **Net Cash provided by/(used) in Financing Activities**  
  - 2006: 7,000  
  - 2005: (233)

## Net Decrease in Cash Held  

- 2006: (10,527)  
- 2005: (5,733)

## Cash Balance at Beginning of the Period  

- 2006: 14,906  
- 2005: 20,639

## Cash Balance at End of the Period  

- 2006: 4,379  
- 2005: 14,906

The accompanying notes form part of these Financial Statements.
Notes to and forming part of the Financial Statements of the Victoria Racing Club
for the financial year ended 31 July 2006

1. SUMMARY OF ACCOUNTING POLICIES

Statement of compliance
The Financial Report is a general purpose financial report that has been prepared in accordance with applicable Accounting Standards and Urgent Issues Group Interpretations. Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with the A-IFRS ensures that the Financial Statements and notes of the Club comply with International Financial Reporting Standards (IFRS).
The Financial Statements were authorised for issue by the Committee on 25 October 2006.

Basis of preparation
The Financial Report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of A-IFRS that have significant effects on the Financial Statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the Financial Statements.

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The Club changed its accounting policies on 1 August 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 ‘First-time Adoption of Australian Equivalents to International Financial Reporting Standards’, with 1 August 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the Club’s financial position, financial performance and cash flows is discussed in Note 23.

The Club has also elected to apply Accounting Standard AASB 119 ‘Employee Benefits’ (December 2004), even though the Standard is not required to be applied until annual reporting periods beginning on or after 1 January 2006.

The accounting policies set out below have been applied in preparing the Financial Statements for the year ended 31 July 2006, the comparative information presented in these Financial Statements for the year ended 31 July 2005, and in the preparation of the opening A-IFRS balance sheet at 1 August 2004 (as disclosed in Note 23), the Club’s date of transition.

The following significant accounting policies have been adopted in the preparation and presentation of the Financial Report.

(a) Cash and Cash Equivalents
Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(b) Inventories
Inventories are valued at the lower of cost and net realisable value and relate to catering stock on hand at year-end at Flemington Racecourse.

(c) Financial Assets
Available-for-sale financial assets
The investments in ThoroughVision Pty Ltd and 3UZ Sport 927 held by the Club are classified as being available-for-sale and are stated at fair value less impairment. Fair value is determined in the manner described in Note 20(d). Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in the surplus or deficit for the period.

Loans and receivables
Trade receivables, loans and other receivables are recorded at amortised cost less impairment.

(d) Investments in Associates
The investment in ThoroughVision Pty Ltd and 3UZ Sport 927 held by the Club is accounted for under the equity method in the Financial Statements.

(e) Investments in Joint Ventures
The investment in the Australian Stud Book is accounted for under the equity method in the Financial Statements.

(f) Property, Plant and Equipment
Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on the cost of fixed assets, including Buildings and Infrastructure, but excluding Land and Construction Work in Progress, and is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.
The following estimated useful lives are used in the calculation of depreciation.

- Buildings and Infrastructure: 25 to 40 years
- Plant and Equipment and Furniture and Fittings: 3 to 10 years

(g) Leased Assets
Leased assets classified as finance leases are recognised as assets. The amount initially brought to account is the fair value or if lower the present value of minimum lease payments.

A finance lease is one that effectively transfers from the lessor to the lessee substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Finance lease payments are allocated between finance charges and reduction of lease obligation over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(h) Impairment of Assets
At each reporting date, the Club reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Club estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the income statement immediately.

(i) Payables
Payables are recognised when the Club becomes obliged to make payments resulting from the purchase of goods and services.

(k) Borrowing Costs
Borrowing costs directly attributable to buildings, plant and equipment under construction are capitalised as part of the cost of those assets.

(l) Provisions
Provisions are recognised when the Club has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(m) Employee Benefits
Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits that are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Club in respect of services provided by employees up to reporting date.

Defined benefit plans
For defined benefit superannuation plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised in full directly in retained earnings in the period in which they occur, and are presented in the statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the benefits become vested.

The defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

(n) Revenue Recognition
Goods and services
Revenue is recognised on an accruals basis when the significant risk and rewards of the services or goods has been transferred to the purchaser.
Interest revenue
Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(a) Thoroughbred Racing Industry Distribution
The Club received distributions of $25,538 million (2005: $26,959 million) and these represent the amount received and receivable in respect to the year ended 31 July 2006, net of industry adjustments. Included in this total is the amount of $2,066 million (2005: $2,066 million) representing contributions made to the Club by Racing Victoria Limited to fund, in part or wholly, capital developments at Flemington Racecourse.

(p) Goods and Services Tax
Revenues, Expenses and Assets are recognised net of the amount of Goods and Services Tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables that are recognised inclusive of GST. The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables.

(q) Segment Reporting
The entity operates in one geographical area and one segment, that being the Australian Racing Industry.

(r) Rounding of Amounts
All amounts have been rounded off to the nearest thousand dollars unless otherwise stated.

2. ACCUMULATED FUNDS

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Club activities</td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Balance at 1 August</td>
<td>90,198</td>
<td>88,830</td>
</tr>
<tr>
<td>Actuarial gain/(loss) on defined benefit plan</td>
<td>1,469</td>
<td>(818)</td>
</tr>
<tr>
<td>Net surplus</td>
<td>909</td>
<td>2,186</td>
</tr>
<tr>
<td><strong>Balance at 31 July</strong></td>
<td><strong>92,576</strong></td>
<td><strong>90,198</strong></td>
</tr>
</tbody>
</table>

3. AVAILABLE-FOR-SALE REVALUATION RESERVE

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 August</td>
<td>3,692</td>
<td>1,232</td>
</tr>
<tr>
<td>Valuation gain recognised</td>
<td>–</td>
<td>2,460</td>
</tr>
<tr>
<td><strong>Balance at 31 July</strong></td>
<td><strong>3,692</strong></td>
<td><strong>3,692</strong></td>
</tr>
</tbody>
</table>

4. OTHER REVENUE
Other Revenue in the income statement includes, amongst other items, revenue relating to the marketing of non-raceday events and International Wagering rights.

5. COST OF SALES OF GOODS
Inclusive in the balance of catering and other raceday expenditure is cost of sales related to catering income.

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catering Operations</td>
<td>7,300</td>
<td>7,045</td>
</tr>
<tr>
<td>Flemington Event Centre</td>
<td>1,792</td>
<td>1,560</td>
</tr>
<tr>
<td>Gaming Operations</td>
<td>600</td>
<td>507</td>
</tr>
</tbody>
</table>

6. INCOME TAX
The Club is exempt from income tax under section 23(g) of the Income Tax Assessment Act 1936 (as amended). Due to changes in the Income Tax Assessment Act 1997 the section reference has changed to S50–45 S5 SS 9.1(a), although the substance of the section has not changed.

7. AUDITORS’ REMUNERATION

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts received or due and receivable by the Auditors of Victoria Racing Club for</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>– Audit of the Financial Report</td>
<td>98,000</td>
<td>83,000</td>
</tr>
<tr>
<td>– Other services</td>
<td>44,629</td>
<td>55,000</td>
</tr>
</tbody>
</table>
| Other services primarily consist of an FBT and Indirect Tax audit, A-IFRS accounting assistance and risk assessment assistance.

8. KEY MANAGEMENT PERSONNEL REMUNERATION
The key management personnel of the Club include the Chief Executive Officer and his nine direct reports, and members of the Committee. The compensation of the key management personnel is set out below and includes the Chief Executive Officer and his direct reports. Members of the Committee are not remunerated by the Club.

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short term employee benefits</td>
<td>1,986,617</td>
<td>1,880,533</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>331,921</td>
<td>299,638</td>
</tr>
<tr>
<td>Other long term employee benefits</td>
<td>516,228</td>
<td>451,297</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,834,766</strong></td>
<td><strong>2,631,468</strong></td>
</tr>
</tbody>
</table>
9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

<table>
<thead>
<tr>
<th>Name of entity</th>
<th>Principal activity</th>
<th>Country of incorporation</th>
<th>Ownership interest</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investments in associate</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in joint-controlled entity</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in associate</td>
<td>101</td>
<td>150</td>
</tr>
<tr>
<td>Investments in jointly controlled entity</td>
<td>677</td>
<td>1,007</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name of entity</th>
<th>Principal activity</th>
<th>Country of incorporation</th>
<th>Ownership interest</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Associate</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Jointly controlled entity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associate</td>
<td>Australian Prices Network</td>
<td>Distribution of betting price fluctuations</td>
</tr>
<tr>
<td>Jointly controlled entity</td>
<td>Australian Stud Book</td>
<td>Maintenance of breeding register</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Summarised financial information of associate</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>425</td>
<td>1,125</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>314</td>
<td>503</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>118</td>
<td>690</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>16</td>
<td>36</td>
</tr>
<tr>
<td>Net assets</td>
<td>605</td>
<td>902</td>
</tr>
<tr>
<td>Revenue</td>
<td>1,610</td>
<td>1,596</td>
</tr>
<tr>
<td>Net profit</td>
<td>454</td>
<td>432</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Share of associates’ profit or loss</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of profit before income tax</td>
<td>76</td>
<td>71</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Share of associates’ profit</td>
<td>76</td>
<td>71</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Summarised financial information of jointly controlled entity</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>1,656</td>
<td>1,974</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>1,160</td>
<td>1,252</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>1,441</td>
<td>1,110</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>20</td>
<td>101</td>
</tr>
<tr>
<td>Net assets</td>
<td>1,355</td>
<td>2,015</td>
</tr>
<tr>
<td>Revenue</td>
<td>5,061</td>
<td>4,619</td>
</tr>
<tr>
<td>Net profit</td>
<td>1,340</td>
<td>808</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Share of jointly controlled entities’ profit or loss</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of profit before income tax</td>
<td>670</td>
<td>404</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Share of jointly controlled entities’ profit</td>
<td>670</td>
<td>404</td>
</tr>
</tbody>
</table>
10. PROPERTY, PLANT AND EQUIPMENT

<table>
<thead>
<tr>
<th></th>
<th>W.I.P. at cost $000</th>
<th>Freehold land at cost $000</th>
<th>Buildings and infrastructure at cost $000</th>
<th>Plant and equipment at cost $000</th>
<th>Assets under finance lease at cost $000</th>
<th>Total $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Carrying Amount</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 31 July 2005</td>
<td>13,230</td>
<td>1,322</td>
<td>84,704</td>
<td>63,036</td>
<td>66</td>
<td>162,358</td>
</tr>
<tr>
<td>Additions</td>
<td>14,136</td>
<td></td>
<td>7,191</td>
<td>17,121</td>
<td></td>
<td>38,448</td>
</tr>
<tr>
<td>Transfers</td>
<td>(10,549)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(10,549)</td>
</tr>
<tr>
<td>Impairment (i)</td>
<td>–</td>
<td></td>
<td></td>
<td>(357)</td>
<td></td>
<td>(357)</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(307)</td>
</tr>
<tr>
<td>Balance at 31 July 2006</td>
<td>16,817</td>
<td>1,322</td>
<td>91,895</td>
<td>79,493</td>
<td>66</td>
<td>189,593</td>
</tr>
</tbody>
</table>

Accumulated Depreciation/Amortisation and Impairment

<table>
<thead>
<tr>
<th></th>
<th>$000</th>
<th>$000</th>
<th>$000</th>
<th>$000</th>
<th>$000</th>
<th>$000</th>
<th>$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 31 July 2005</td>
<td>34,567</td>
<td>37,573</td>
<td>29</td>
<td>72,169</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>4,530</td>
<td>4,161</td>
<td>10</td>
<td>8,701</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment (i)</td>
<td>–</td>
<td>(297)</td>
<td>–</td>
<td>(297)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>(166)</td>
<td>–</td>
<td>(166)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 31 July 2006</td>
<td>39,097</td>
<td>41,271</td>
<td>39</td>
<td>80,407</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(i) Irrigation equipment with a Net Book value of $60 thousand is considered to be impaired as a result of the upcoming Course Proper reconstruction. An impairment loss of $60 thousand has been recognised during the period.

11. CAPITALISED BORROWING COSTS

<table>
<thead>
<tr>
<th></th>
<th>2006 $000</th>
<th>2005 $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowing costs capitalised during the financial year</td>
<td>253</td>
<td>–</td>
</tr>
<tr>
<td>Weighted average capitalisation rate on funds borrowed generally</td>
<td>6.06%</td>
<td>–</td>
</tr>
</tbody>
</table>

12. BORROWINGS

<table>
<thead>
<tr>
<th></th>
<th>2006 $000</th>
<th>2005 $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current – Secured</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank bills (i)</td>
<td>7,000</td>
<td>–</td>
</tr>
<tr>
<td>Hire purchase (ii)</td>
<td>–</td>
<td>9</td>
</tr>
<tr>
<td>Lease liability (iii)</td>
<td>24</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>7,024</td>
<td>22</td>
</tr>
</tbody>
</table>

Non-Current – Secured

|                      |           |           |
| Lease liability (iv)  | –         | 23        |
|                      | –         | 23        |
| Total                | 7,024     | 45        |

(i) Secured by a Deed of Negative Pledge of General Undertakings.
(ii) Secured by assets under Hire Purchase.
(iii) Secured by assets leased.
13. EMPLOYEE BENEFIT PROVISIONS

<table>
<thead>
<tr>
<th></th>
<th>2006 $000</th>
<th>2005 $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>920</td>
<td>957</td>
</tr>
<tr>
<td>Non-current</td>
<td>4,708</td>
<td>4,961</td>
</tr>
</tbody>
</table>

Accrued wages and salaries are included in the current trade payables balance.

14. LEASES

**Finance Leases**

Leasing arrangements relate to the purchase of motor vehicles with lease terms of one year remaining. At the conclusion of the term there is an agreed residual amount where upon payment ownership is transferred.

<table>
<thead>
<tr>
<th>Finance lease liabilities</th>
<th>Minimum future lease payments</th>
<th>Present value of minimum future lease payments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006 $000</td>
<td>2005 $000</td>
</tr>
<tr>
<td>– not later than 1 year</td>
<td>25</td>
<td>14</td>
</tr>
<tr>
<td>– later than 1 and not later than 2 years</td>
<td>–</td>
<td>25</td>
</tr>
<tr>
<td>Minimum lease payments</td>
<td>25</td>
<td>39</td>
</tr>
<tr>
<td>Deduct: future finance charges</td>
<td>–</td>
<td>(3)</td>
</tr>
<tr>
<td>Present value of minimum lease payments</td>
<td>25</td>
<td>36</td>
</tr>
</tbody>
</table>

Included in the Financial Statements as:

- Current borrowings: 24 $000, 13 $000
- Non-current borrowings: – $000, 23 $000

Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

**Operating Leases**

Leasing arrangements relate to the rental of the Club computer network and motor vehicles. On conclusion of the term there are no options to extend or purchase.

<table>
<thead>
<tr>
<th>Non-cancellable operating lease payments</th>
<th>2006 $000</th>
<th>2005 $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not longer than 1 year</td>
<td>403</td>
<td>409</td>
</tr>
<tr>
<td>Longer than 1 year and not longer than 5 years</td>
<td>143</td>
<td>524</td>
</tr>
<tr>
<td>Longer than 5 years</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

546 $000, 933 $000
15. DEFINED BENEFIT SUPERANNUATION FUND
A significant number of employees of the Club are members of the Victorian Racing Industry Superannuation Fund (the sub-plan) of the AMP Signature Super. The sub-plan has a combination of defined benefit and accumulation membership. The following information relates to the defined benefit membership. The defined benefit segment of the Fund is closed to new members.

The defined benefit members are entitled to retirement benefits based on a multiple of their deemed final salary upon attainment of a retirement age of 60. No other post-retirement benefits are provided to these employees.

The defined benefit superannuation segment is a funded segment of the sub-plan. The sub-plan computes its obligations in accordance with Accounting Standard AAS 25 ‘Financial Reporting by Superannuation Plans’, which prescribes a different measurement basis to that applied in this Financial Report. The net deficit determined in the sub-plans’ most recent financial report, being the annual report for the year ended 31 July 2006, was $2.471 million (2005: $3.663 million). The sub-plans’ actuary has recommended that no additional contributions beyond the current contribution level be made. Funding recommendations are made by the actuary based on their forecast of various matters, including future plan assets performance, interest rates and salary increases.

The Club has a legal liability to make up a deficit in the defined benefit segment of the sub-plan, but no legal right to use any surplus in the sub-plan to further its own interests.

Key assumptions used for A-IFRS purposes (expressed as weighted averages):

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate gross of tax</td>
<td>5.8</td>
<td>5.1</td>
</tr>
<tr>
<td>Discount rate net of tax</td>
<td>4.9</td>
<td>4.3</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>7.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Expected rate(s) of salary increase</td>
<td>4.5</td>
<td>4.5</td>
</tr>
</tbody>
</table>

Amounts recognised in income in respect of these defined benefit plans are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current service cost</td>
<td>1,309</td>
<td>1,123</td>
</tr>
<tr>
<td>Interest cost</td>
<td>503</td>
<td>466</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(656)</td>
<td>(544)</td>
</tr>
<tr>
<td>Total, included in Income Statement</td>
<td>1,156</td>
<td>1,045</td>
</tr>
</tbody>
</table>

Actuarial losses/(gains) incurred during the year and recognised in the statement of recognised income and expense

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1,469)</td>
<td></td>
<td>818</td>
</tr>
</tbody>
</table>

Cumulative actuarial gains/losses recognised in the statement of recognised income and expense

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>(651)</td>
<td></td>
<td>818</td>
</tr>
</tbody>
</table>
15. DEFINED BENEFIT SUPERANNUATION FUND CONTINUED

The amount included in the balance sheet arising from the Club’s obligations in respect of its defined benefit sub-plan is as follows:

Present value of defined benefit obligations
Fair value of plan assets
Net liability arising from defined benefit obligations

Included in the balance sheet:
Current provision for employee benefits:
Defined benefit obligations

Non-current provision for employee benefits:
Defined benefit obligations (Note 13)
Net liability arising from defined benefit obligations

Movements in the present value of the defined benefit obligations in the current period were as follows:
Opening defined benefit obligation
Current service cost
Interest cost
Member contributions
Actuarial (gains)/losses
Benefits paid
Closing defined benefit obligation

Movements in the present value of the plan assets in the current period were as follows:
Opening fair value of plan assets
Expected return on plan assets
Actuarial gains
Employer contributions
Member contributions
Benefits paid
Closing fair value of plan assets

The Club expects to make a contribution of $0.884 million to the defined benefit division of the sub-plan during the next financial year.

The analysis of the plan assets and the expected rate of return at the balance sheet date is as follows:

<table>
<thead>
<tr>
<th>Plan assets</th>
<th>Expected return</th>
<th>Fair value of plan assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>2005</td>
<td>2006 $000</td>
</tr>
<tr>
<td>%</td>
<td>%</td>
<td>$000</td>
</tr>
<tr>
<td>7.0</td>
<td>7.0</td>
<td>10,844</td>
</tr>
</tbody>
</table>

Expected Rate of Return on Plan Assets
The expected return on plan assets assumptions is determined by weighting the expected long term return for each asset class by the target allocation to each class. The returns used for each class are net of investment tax and fees.

The history of experience adjustments is as follows:

<table>
<thead>
<tr>
<th>Experience adjustments</th>
<th>2006 $000</th>
<th>2005 $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience adjustments – plan liabilities</td>
<td>270</td>
<td>–</td>
</tr>
<tr>
<td>Experience adjustments – plan assets</td>
<td>432</td>
<td>–</td>
</tr>
</tbody>
</table>
16. RECONCILIATION OF NET CASH PROVIDED BY CLUB OPERATING ACTIVITIES TO NET SURPLUS

<table>
<thead>
<tr>
<th>Description</th>
<th>2006 $000</th>
<th>2005 $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net surplus</td>
<td>909</td>
<td>2,186</td>
</tr>
<tr>
<td>Depreciation of non-current assets</td>
<td>8,701</td>
<td>8,697</td>
</tr>
<tr>
<td>Impairment of fixed assets</td>
<td>60</td>
<td>–</td>
</tr>
<tr>
<td>Share of profits in associated entities not received as dividends or distributions</td>
<td>(746)</td>
<td>(475)</td>
</tr>
<tr>
<td>Net loss/(gain) on disposal of fixed assets</td>
<td>98</td>
<td>(262)</td>
</tr>
<tr>
<td>Increase in defined benefit superannuation expense</td>
<td>278</td>
<td>192</td>
</tr>
</tbody>
</table>

Changes in operating assets and liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2006 $000</th>
<th>2005 $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in receivables and payments</td>
<td>(4,072)</td>
<td>(1,558)</td>
</tr>
<tr>
<td>Increase in inventories</td>
<td>(134)</td>
<td>(72)</td>
</tr>
<tr>
<td>Increase in payables</td>
<td>206</td>
<td>1,606</td>
</tr>
<tr>
<td>Increase in fees in advance</td>
<td>865</td>
<td>1,605</td>
</tr>
<tr>
<td>Increase in employee benefit provisions</td>
<td>864</td>
<td>405</td>
</tr>
<tr>
<td></td>
<td>7,029</td>
<td>12,324</td>
</tr>
</tbody>
</table>

17. CAPITAL COMMITMENTS
The Club has capital commitments at 31 July 2006 of $6.322 million (2005: $16.332 million). The capital commitments are expected to be paid within 12 months.

18. FINANCING FACILITIES
The Club had in place at 31 July 2006 a leasing facility of $1.5 million and commercial bill facility limit of $20.0 million (2005: Nil) of which $13.0 million remained undrawn as at 31 July 2006.

19. CONTINGENT LIABILITIES
The Club has guaranteed the obligations of ThoroughVisioN Pty Ltd, Racing Victoria Limited and Werribee Racing Club in respect of loans provided by Australia and New Zealand Banking Group for the amounts not exceeding $2.269 million, $1.0 million and $3.0 million respectively.

20. FINANCIAL INSTRUMENTS
(a) Financial Risk Management Objectives
The Club’s finance function provides services to the business and manages the financial risks relating to the operations of the Club. The Club does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. Compliance with policies and exposure limits is reviewed on a continuous basis by the Audit and Risk Management Committee.

(b) Significant Accounting Policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the Financial Statements.

(c) Interest Rate Risk Management
Cash assets of $4.379 million, other financial assets of $55 thousand and borrowings of $7.024 million are subject to interest rate risk. At 31 July 2006, the cash asset had average applicable interest rates of 5.5% (2005: 5.15%) and the finance leases of 8.0% (2005: 8.0%). In respect of outstanding borrowings at 31 July 2006 of $7.0 million, there was an applicable average interest rate of 6.06%. The Club is also subject to interest rate risk in relation to the guaranteed Racing Victoria obligation of $1.0 million. The average applicable interest rate was 5.83%. There are no other financial assets or liabilities in the balance sheet subject to such risk at 31 July 2006.

(d) Fair Value of Investments
Fair values of 3UZ Sport 927 and ThoroughVisioN Pty Ltd have been determined by a combination of considerations. These included cash flow earnings multiples, sales of similar businesses and asset valuations.

21. RELATED PARTIES
The following parties are considered to be related parties to the Club:
Members of the Committee who held office in the year ended 31 July 2006 (as detailed on pages 5–7 of this Report).

All Members of the Committee act in an honorary capacity and receive no remuneration for their services. Certain Members of the Committee participate in the Thoroughbred Racing Industry via means of ownership of racehorses either individually or through related entities. This involvement is on terms and conditions no more favourable than other participants in the Thoroughbred Racing Industry.
A Member of the Committee, Mr P J Fekete, is a partner of the firm PricewaterhouseCoopers. That firm has provided consultancy services on normal commercial terms and conditions to the value of $28 thousand (2005: $23 thousand).
The Club paid Committee and Officers’ Liability Insurance on behalf of the Committee and Officers of the Club.
The Club indemnifies the Committee and Stewards (Club Rule No 18) against damages, verdicts in, and costs of any legal proceedings that may be instituted against them or any of them in the exercise of their office or performance of their duties.
The Club has not otherwise, during or since the financial year indemnified or agreed to indemnify an Officer or Auditor of the Club or any related organisation against liability incurred as such an Officer or Auditor.
All other material transactions and balances with related parties have been disclosed in this Report.

22. SUBSEQUENT EVENTS
Victoria Racing Club Limited became a registered company under the Corporations Act 2001 on the 10 April 2006. On the 1 August 2006 all existing rights, obligations, assets and liabilities of the Victoria Racing Club were transferred to Victoria Racing Club Limited under the provisions of the Victoria Racing Club Limited Act 2006.
On the 14 September 2006, the Club issued a letter of acceptance to Akron Roads Pty Ltd for civil and engineering works for the Course Proper upgrade. The accepted cost for those works is $8.1 million.

23. IMPACT OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
The Club changed its accounting policies on 1 August 2005 to comply with Australian equivalents to International Financial Reporting Standards (A-IFRS). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 ‘First-time Adoption of Australian Equivalents to International Financial Reporting Standards’, with 1 August 2004 as the date of transition.
An explanation of how the transition from superseded policies to A-IFRS has affected the Club’s financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Effect of A-IFRS on the Balance Sheet as at 31 July 2005

<table>
<thead>
<tr>
<th>Reconciliation of net assets</th>
<th>Note</th>
<th>$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets (AGAAP)</td>
<td></td>
<td>93,861</td>
</tr>
<tr>
<td>Adjustments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defined benefit obligation</td>
<td>(a)</td>
<td>(3,663)</td>
</tr>
<tr>
<td>Investment in 3UZ Sport 927</td>
<td>(b)</td>
<td>1,232</td>
</tr>
<tr>
<td>Investment in TVN Pty Ltd</td>
<td>(c)</td>
<td>2,460</td>
</tr>
<tr>
<td>Net assets (A-IFRS)</td>
<td></td>
<td>93,890</td>
</tr>
</tbody>
</table>


There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.

Notes to the reconciliations of income and equity

(a) Defined Benefit Superannuation Plans
A defined benefit obligation, included in the provision for employee benefits, of $2.653 million was recognised on 1 August 2004 on transition to A-IFRS. Under superseded policies, contributions to defined benefit superannuation plans were expensed when due and payable and no assets or liabilities were recognised in relation to the plans.

For the financial year ended 31 July 2005, the defined benefit obligation increased by a further $1.010 million to $3.663 million.
Adjustments were made to recognise actuarial losses of $0.818 million directly in retained earnings, and to increase employee benefit expenses by $0.192 million for the financial year ended 31 July 2005.

(b) Investment in 3UZ Sport 927
The investment in 3UZ Sport 927 held at cost under superseded AAGAAP is now recognised in the Financial Statements at fair value under A-IFRS.
On transition at 1 August 2004, the total fair value was $15.0 million. The fair value of the Club’s 14.23% share is $2.135 million and therefore an adjustment of $1.232 million was recognised at this date. The fair value of 3UZ Sport 927 at 31 July 2005 was deemed not to have changed from $15.0 million.

(c) Investment in TVN Pty Ltd
The investment in TVN Pty Ltd held at cost under superseded AAGAAP is now recognised in the Financial Statements at fair value under A-IFRS.
The fair value of the Club’s 12.5% share of TVN Pty Ltd at 31 July 2005 is $3.96 million, an increase of $2.46 million. The investment was purchased after the date of transition hence no adjustment is required at 1 August 2004.

24. ADDITIONAL INFORMATION
The Victoria Racing Club’s principal place of business and registered office is 448 Epsom Road, Flemington 3031, tel (03) 8378 0888.
CERTIFICATES
We hereby certify that the accompanying Financial Statements of the Victoria Racing Club comprising the Income Statement, Balance Sheet, Statement of Recognised Income and Expense and Cash Flow Statement together with the Notes to the Financial Statements have been prepared in accordance with Australian Accounting Standards and other mandatory professional reporting requirements.
It is our opinion that,
(a) there are reasonable grounds to believe that the Club will be able to pay its debts as and when they become due and payable;
(b) the Financial Statements and Notes present a true and fair view of the financial position as at 31 July 2006 and performance of the Club during the year ended 31 July 2006.
Signed in accordance with a resolution of the Committee.

P J Fekete
Honorary Treasurer
Melbourne 25 October 2006

D G Monteith
Chief Executive
Victoria Racing Club
Melbourne 25 October 2006

INDEPENDENCE DECLARATION
I am pleased to provide the following declaration of independence to the Committee Members of Victoria Racing Club.
As audit partner for the audit of the financial statements of Victoria Racing Club for the year ended 31 July 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:
(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
(ii) any applicable code of professional conduct in relation to the audit.
Yours faithfully

Deloitte Touche Tohmatsu
Tony Brain
Partner
Chartered Accountants
Melbourne 25 October 2006
INDEPENDENT AUDIT REPORT TO THE MEMBERS OF VICTORIA RACING CLUB

SCOPE

The financial report and the VRC Committee’s responsibility


The VRC Committee is responsible for the preparation and fair presentation of the financial report in accordance with Accounting Standards in Australia. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia so as to present a view which is consistent with our understanding of VRC’s financial position, the results of its operations, its changes in equity and its cash flows. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the VRC Committee.

While we considered the effectiveness of management’s internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion, the financial report of Victoria Racing Club presents fairly in accordance with applicable Accounting Standards in Australia, the financial position of Victoria Racing Club as at 31 July 2006 and the results of its operations, its changes in equity and its cash flows for the year ended on that date.

Deloitte Touche Tohmatsu

Tony Brain
Partner
Chartered Accountants
Melbourne 25 October 2006

### Statistical Summary

<table>
<thead>
<tr>
<th></th>
<th>2005/06</th>
<th>2004/05</th>
<th>2003/04</th>
<th>2002/03</th>
<th>2001/02</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Racing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Race Meetings</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>31*</td>
<td>34</td>
</tr>
<tr>
<td>Saturdays and Public Holidays</td>
<td>19</td>
<td>19</td>
<td>18</td>
<td>18</td>
<td>19</td>
</tr>
<tr>
<td>Sundays</td>
<td>2</td>
<td>2</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Mid-Weeks</td>
<td>11</td>
<td>11</td>
<td>8</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Races</td>
<td>266</td>
<td>274</td>
<td>272</td>
<td>261</td>
<td>282</td>
</tr>
<tr>
<td>Starters</td>
<td>2,981</td>
<td>3,078</td>
<td>3,180</td>
<td>3,102</td>
<td>3,270</td>
</tr>
<tr>
<td>Average Starters per Race</td>
<td>11.2</td>
<td>11.2</td>
<td>11.7</td>
<td>11.9</td>
<td>11.6</td>
</tr>
<tr>
<td><strong>Attendances</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual</td>
<td>563,862</td>
<td>551,266</td>
<td>555,868</td>
<td>531,223</td>
<td>506,019</td>
</tr>
<tr>
<td>Melbourne Cup Day</td>
<td>106,479</td>
<td>98,161</td>
<td>122,736</td>
<td>102,533</td>
<td>92,477</td>
</tr>
<tr>
<td>Melbourne Cup Carnival</td>
<td>383,784</td>
<td>370,114</td>
<td>376,767</td>
<td>355,293</td>
<td>329,466</td>
</tr>
<tr>
<td><strong>Membership</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members – All Categories</td>
<td>26,170</td>
<td>24,136</td>
<td>23,332</td>
<td>23,233</td>
<td>20,591</td>
</tr>
<tr>
<td><strong>Prizemoney</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$000</td>
<td>34,633</td>
<td>33,495</td>
<td>30,917</td>
<td>29,286</td>
<td>27,504</td>
</tr>
<tr>
<td><strong>Betting Turnover</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On Course Totalizator</td>
<td>58,320</td>
<td>59,520</td>
<td>58,352</td>
<td>56,498</td>
<td>54,073</td>
</tr>
<tr>
<td>Bookmakers</td>
<td>168,474</td>
<td>169,391</td>
<td>156,718</td>
<td>139,253</td>
<td>120,678</td>
</tr>
<tr>
<td>Off Course Totalizator</td>
<td>420,954</td>
<td>410,974</td>
<td>384,244</td>
<td>375,762</td>
<td>364,355</td>
</tr>
<tr>
<td>Total Turnover</td>
<td>647,748</td>
<td>639,885</td>
<td>599,314</td>
<td>571,513</td>
<td>539,106</td>
</tr>
<tr>
<td><strong>Financial Information</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Surplus</td>
<td>909</td>
<td>2,186</td>
<td>3,397</td>
<td>1,879</td>
<td>3,171</td>
</tr>
<tr>
<td>Wagering Distribution</td>
<td>25,538</td>
<td>26,959</td>
<td>25,713</td>
<td>23,279</td>
<td>23,131</td>
</tr>
<tr>
<td>New Buildings and Equipment</td>
<td>26,721</td>
<td>20,183</td>
<td>5,926</td>
<td>10,774</td>
<td>5,866</td>
</tr>
<tr>
<td><strong>Performance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenue (excl. Wagering Distribution)</td>
<td>83,915</td>
<td>78,341</td>
<td>73,676</td>
<td>53,518</td>
<td>40,954</td>
</tr>
<tr>
<td>Average Entrance Revenue</td>
<td>$1750</td>
<td>$15.84</td>
<td>$13.82</td>
<td>$11.26</td>
<td>$10.27</td>
</tr>
<tr>
<td>Sponsorship as to Prizemoney</td>
<td>21.6%</td>
<td>19.7%</td>
<td>23.1%</td>
<td>17.3%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Returns to Owners as to Distribution</td>
<td>135.6%</td>
<td>124.2%</td>
<td>120.2%</td>
<td>125.8%</td>
<td>110.8%</td>
</tr>
</tbody>
</table>

Note: The above five-year statistical summary relates to the Racing Seasons 1 August to 31 July.

* One meeting abandoned in 2002/2003.