



RAS

ANNUAL REPORT 2006-07



THE ROYAL AGRICULTURAL SOCIETY OF VICTORIA LIMITED
www.rasv.com.au



Office Bearers June 2007

Patron

Professor David de Krester, AC
Governor of Victoria

President

C J (John) Fox

Vice President

S C (Stephen) Spargo

Board of Directors

C J (John) Fox – Chairman
I I (Ian) Bucknall
M (Michael) Carroll
R C E (Richard) Cust
B E (Barrie) Laws
G J (Geoff) Phillips
J H (Jack) Seymour AM
A (Anabel) Shears – Carter
S C (Stephen) Spargo

Chief Executive Officer

M (Mark) O'Sullivan

Company Secretary/ Chief Operating Officer

A (Adnan) Mansour

Registered office

Melbourne Showgrounds
Epsom Road Ascot Vale 3032
Victoria AUSTRALIA
Telephone + 61 3 9281 7444
Facsimile + 61 3 9281 7593

Auditors

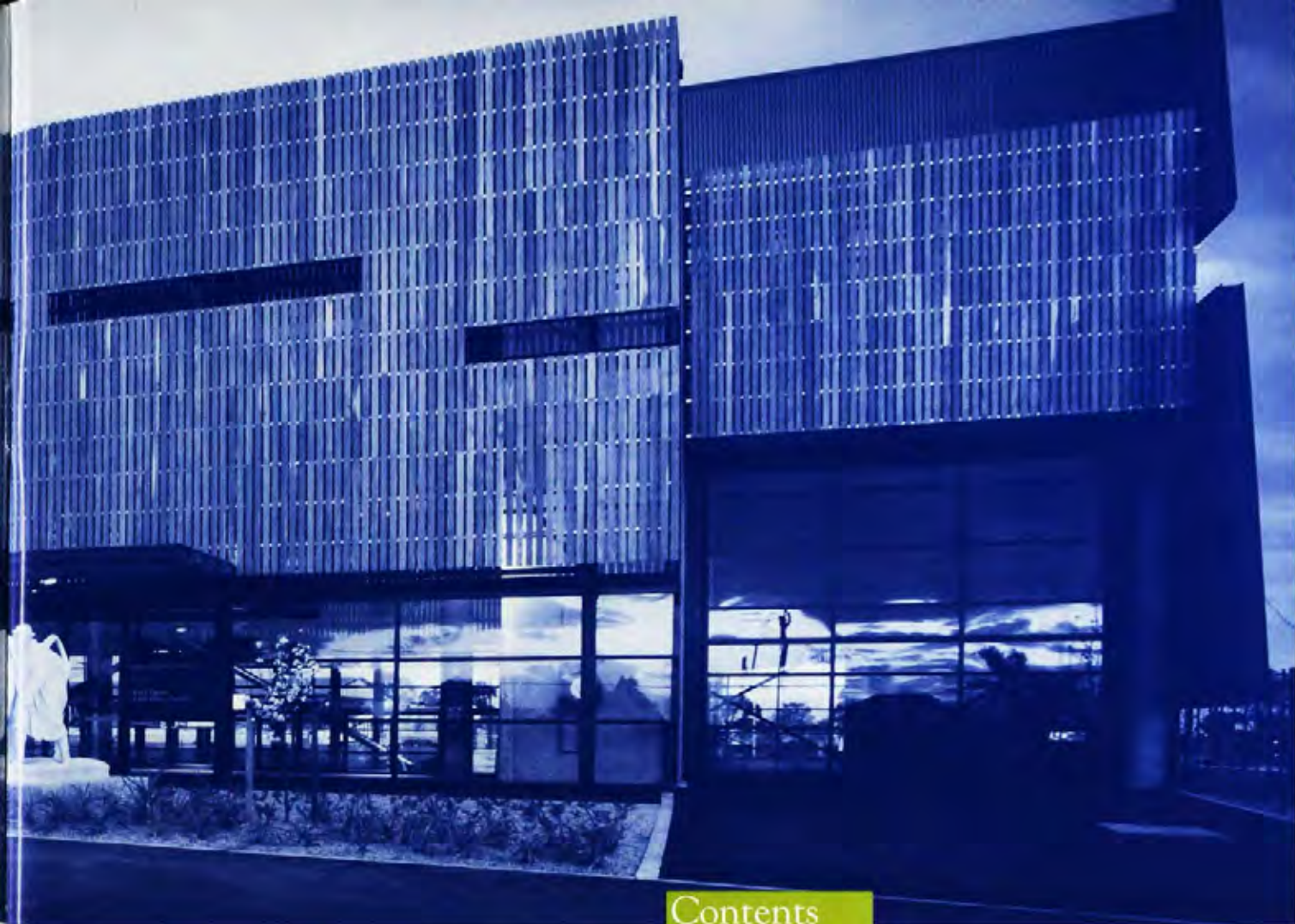
PKF
Chartered Accountants
485 La Trobe Street
Melbourne 3000
Victoria AUSTRALIA

Bankers

National Australia Bank Limited
Level 1/330 Collins Street
Melbourne 3000
Victoria AUSTRALIA

Solicitors

Allens Arthur Robinson
Stock Exchange Centre
530 Collins Street
Melbourne 3000
Victoria AUSTRALIA



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Councillors June 2007

Life Councillors

R T Balderstone CMG MC
 J Balfour Brown
 W R R Beggs AM
 A C Bott
 J K Buchanan AM
 J M Burston
 R M Butler
 K A Finnin
 A Gibson
 W McL Greaves
 J G W Head OAM
 C O Moore
 I K Morton AM
 J W Rae OAM
 A J Russell
 I McK Starritt
 F R I Stephens
 K W Urquhart

Council Members

J Allen
 D G Beard
 R S Bell
 I I Bucknall
 M Carroll
 B M Crotty
 Dr R C E Cust
 N A Edwards APM
 Prof L Falvey
 C J Fox
 R F Haselgrove AM
 Joe Helper MP
 W H Hill
 K Jordan
 N E King
 L R Latta
 B E Laws
 E R Lithgow
 C R Lyons
 P McMahon
 M T Marriott
 G J Phillips
 B W A Redpath
 P J B Ronald OAM
 I McC Rough
 A F Rowden
 J H Seymour AM
 A Shears-Carter
 S R Shelmerdine AM
 S C Spargo
 G B Starritt
 J C Watson AM

For more than 150 years the Royal Agricultural Society of Victoria (RAS) has been involved in all facets of rural life in Victoria. Through its prestigious range of awards, events and competitions the RAS encourages development and the benchmarking of excellence in the agricultural and rural communities.

The objective of the RAS is to support and promote Victorian agricultural excellence. From its early origins in colonial Victoria organising the first competitive ploughing match in 1848 to today's Royal Melbourne Show, the largest paid public annual event in Victoria, the RAS continues to play a vital role in connecting the country with the city.

Along with facilitating and organising Australia's best agribusiness events, the RAS has been appointed the interim venue manager for the newly redeveloped Showgrounds. The new world-class facility offers increased business opportunities as it provides a diverse range of pavilions and landscaped outdoor spaces offering a flexible and innovative event location for the national and international markets.

The RAS

Our Vision is:

Facilitate and orchestrate Australia's best agribusiness events – innovative, captivating and distinctive events that bring out the best in Victoria

Our Mission is:

Make possible events, including agribusiness events, which provide opportunities for showcasing, entertainment, education, and community participation and connection

Our core values are:

- Customers first – our first thought is for the interests of customers
- Teamwork and camaraderie – we work in teams and pitch in to help get things done
- Leaders and innovators – we constantly try to develop new ideas and think of better ways of doing things
- Commercially focused – we are resourceful and entrepreneurial and we act like owners of the areas for which we are responsible
- Community-minded – we build relationships that contribute to our successes and we engage with and represent our stakeholders.
- Mutual trust and transparency – we trust one another and we are open and frank with our colleagues and business partners.





President's Report

The Royal Agricultural Society of Victoria (RAS) commenced a new chapter in its proud history during 2006/7 with the completion of the redeveloped Showgrounds. The years of planning, negotiations and endeavour by many within the RAS family, followed by the two year construction phase, produced an outstanding venue that re-opened its gates to the public on the first day of the 2006 Royal Melbourne Show.

Representatives of all parties involved in the redevelopment, along with members of the public, gathered on September 21, 2006, to witness the official opening of the Melbourne Showgrounds by the Premier of Victoria, the Honourable Steve Bracks, and the then President of the RAS Mr Jack Seymour AM.

The redevelopment was made possible by a capital contribution of \$108 million from the Victorian Government, for which we as a society are extremely grateful.

The day of celebration followed a period of growing anticipation. While construction started in February 2005, building wound down and the site was handed back to the RAS for the staging of the 2005 Royal Melbourne Show. Construction resumed after the event, and it was then that the site's new layout started to take shape.

The redevelopment project was successfully completed by Multiplex Construction. The stunning redesign of the Showgrounds was developed by Daryl Jackson Architects. The new venue provides multi-purpose exhibition space for year round use within a landscaped environment that preserves much of our architectural history and fond memories for our patrons.

The spacious appeal of both indoor and outdoor exhibition areas, with stunning views of the city skyline, is a unique asset for events, exhibitions and functions in Melbourne.

The redeveloped Showgrounds has further strengthened the link between the city and rural communities in Victoria and has built the foundations for a prosperous future for showcasing the best of agriculture and rural pursuits in Victoria.

I would like to thank my fellow Board members and executive for their commitment to seeing this spectacular redevelopment become a reality.

I also acknowledge the diligent effort of the many people in Government who have played a part in the planning and implementation of quite complex arrangements, in conjunction with the successful consortium PPP Solutions to deliver the project.

The Royal Melbourne Show in 2006

The 2006 Show was an outstanding event and a new experience for all of us involved in running the eleven day programme. I sincerely thank our volunteer team for their contribution, which was well above 'the call of duty'. They ensured the exhibitors settled into the new and unfamiliar surrounds as well as maintaining the high standards and integrity of our competitions. The experience of the 2006 Show will allow us to improve the logistics and presentation for exhibitors into the future. The general public were treated to high quality entertainment and unique Show experiences in a venue that exceeded their expectations for access, involvement and relaxation. Attendance was considerably higher than 2005 and the positive response by the public to our new home provides a degree of confidence for our endeavours in 2007.

I look forward to the challenges of maximizing the potential of the Showgrounds, encouraging and acknowledging the high achievements in agriculture, while providing a bridge of awareness between those who reside in the city and the endeavours of our rural families.



Recognition

The retirement of our Chairman and President Mr Jack Seymour AM from this office on 31 March marked the end of an outstanding period of leadership which oversaw the redevelopment of the Showgrounds and considerable change within the RAS. We thank both Jack and Yve for giving so much of themselves to the RAS so that we can all face the challenges ahead from a much more secure foundation. We look forward to continuing our friendship and strong association.

In our recent elections, Mike Carroll and Richard Cust were re-elected and we welcome to the Board our newest member, Joy Potter. As a long-standing member of the organization and the wife of former President and Councillor, the late Bob Potter, Mrs Potter brings with her more than 45 years experience farming sheep and cattle and is sure to prove an asset to the organisation.

Following this year's Annual General Meeting we farewell Anabel Shears-Carter, who was appointed to the Board in 2005. The RAS would like to thank Anabel for her tremendous support of the organisation and look forward to her continued involvement in our activities.

Due to additional work responsibilities Bruce Kefford has decided to step down from the Board. On behalf of the RAS Board I wish to express our appreciation to Bruce for his significant support and contribution during his tenure, and look forward to his continued involvement and association in his capacity as Deputy Secretary of the Department of Primary Industries.

It was pleasing to have our President Jack Seymour AM and Councillor Jason Ronald OAM acknowledged for their services in the distinguished Australian Honours list and our congratulations are extended with a sense of pride and appreciation.

Valediction

We were saddened by the passing of esteemed colleagues: Colin Kelly, Cos Gardiner and Royden Gerrard MBE. Their long and valued contribution to the RAS is acknowledged with appreciation and affection.

Support

We thank our broad community of stakeholders who selflessly protect and serve the interests of the RAS. This volunteer base and range of business associates provide countless hours of endeavour that enhance the relevance of our agribusiness activities and the success of the Royal Melbourne Show.

Special thanks to the Board, the CEO Mark O'Sullivan and his dedicated team, along with the Council and various committees for the support, leadership and participation that enables such a broad range of activities to be successfully delivered.

As President, I look forward to working with Mark, his team and the members of the Board to ensure ongoing growth for the organization and delivering 'The Best of Shows', an experience that maintains the Show as the premier annual event for an increasing number of Victorians.

John Fox
President



Chief Executive Officer's Report

My first year at the RAS has seen some outstanding highlights and the successful implementation of some major changes. These have included moving into a world-class venue, realigning the executive team and launching a new-look Royal Melbourne Show.

The opening of the redeveloped Melbourne Showgrounds not only delivered one of the best attended Royal Melbourne Shows in the past decade, but provided the RAS with a premium multi-purpose venue capable of hosting some of the city's premier events.

To celebrate the opening of the new look Showgrounds in September 2006, visitors were treated to some exciting new elements at their favourite annual event, including dedicated theme days and live bands every night. The eleven day event offered an array of fun and entertainment, while at the same time retaining its connection with the land by featuring the largest and most prestigious exhibitions of animal and rural life in the southern hemisphere.

Both the new look Melbourne Showgrounds and revitalised event schedule proved a popular hit with the Victorian public. The results from our customer surveys confirmed the popularity of the diverse choice of entertainment for the whole family and highlighted that the Show is also seen as a vehicle to educate visitors about rural life in Victoria.

The transformed Melbourne Showgrounds is a world-class venue. With the huge and diverse indoor and outdoor exhibition spaces, including the striking Grand Pavilion, the Showgrounds can now be considered Victoria's most versatile venue.

To promote this exciting property, the RAS has put in place a strong marketing and events team who will be working to secure a diverse range of high profile events. The Melbourne Showgrounds team is prepared to go the extra mile to maximise any event experience, and provide each and every customer with a unique solution by bringing fresh ideas to life.

The wide range of RAS events to support agricultural excellence have, throughout the year, provided opportunities for many people from around Victoria, Australia and the world to showcase the 'best of the best'.

2006/2007 was another successful year for the RAS's various prestigious Awards which support all areas of agribusiness and are also well respected for their commitment to improving judging standards and providing a benchmark for measuring excellence in the industry.

The Weekly Times Farm Business Awards has quickly established itself as a premier event in the industry after only two years. The renowned and prestigious Wine and Beer Awards continued to galvanise interest from their respective industries with a record number of competition entries, plus a high attendance and interest in the Awards presentation rights held in Melbourne.

Aside from the events business, the RAS has maintained its commitment to strengthening ties with Victoria's rural community. The newly established Rural Engagement Program provided members of the RAS Board and executive team with the opportunity to visit key communities to understand their issues and work together to identify areas for growth. The program involved a schedule of activity in the Gippsland town of Sale.

In 2006, regional information sessions were held at Ballarat, Bendigo, Wangaratta and Traralgon. The targeted sessions ensured exhibitors from across Victoria were given up-to-date information about the Royal Melbourne Show, the redeveloped facilities and the RAS.



The RAS this year also farewelled five breed societies, which in previous years have been provided with management support, secretarial and accounting services from the RAS. These societies have moved on with the appointment of new resources, however, the RAS maintains its strong involvement with Victorian Agricultural Shows Ltd, Victoria's peak country show organization, and Stud Beef – Victoria Inc., which organises Beef Week and the Cattle Handler's Camp each year.

With a long history of involvement with breed societies, the RAS continues to welcome meetings and events at the city's home of agriculture – the Melbourne Showgrounds.

A lot has happened over the past twelve months and it would not have been possible without the support of our Councillors, Committees, State Government, members, business partners, sponsors and the many people who contribute their time and efforts to ensuring the many RAS events continue to experience ongoing success.

I would like to thank the RAS Board and event committees for their continued support and make special mention of the truly dedicated and committed efforts of the RAS team who work tirelessly to ensure that every event we produce is of the highest quality and reflects our commitment to providing Victorians with the best of the best.

In particular, on behalf of the RAS staff, I pay tribute to our immediate past President Jack Seymour and his wife, Yve. Jack and Yve have both worked tirelessly for the betterment of the RAS. In the past eight years, Jack successfully carried out the role of President of the RAS and Chairman of the Board of Directors. During this time Jack has led significant organisational change which paved the way for the State Government's commitment to the \$108m redevelopment of the Melbourne Showgrounds. Both Jack and Yve can be very proud of their contribution to the evolution and standing of the RAS and its associated activities.

With regard to reporting on significant transactions, members are referred to note 1(B) (g) in the Notes to the Financial Statements as there has been a change in the Accounting Policy to reflect the Company's interest in the unincorporated joint venture for the Showgrounds redevelopment. This change is to accord with Accounting Standards on a line by line basis and to ensure members are fully informed as to the Company's interests.

I am pleased to report that the RAS operating result before joint venture contribution shows a healthy profit of \$1,295,912. However, after we make adjustments for transactions associated with the joint venture redevelopment project, the net result is a deficit of \$1,046,563. All in all, the RAS net asset position, following completion of the redevelopment project, is \$75.2m thus providing a strong balance sheet base.

I look forward to working in partnership with our new President, John Fox, the Board of Directors, Councillors, event committees and staff in furtherance of the objectives and aspirations of the RAS in delivering events and activities of the highest standard.

A handwritten signature in black ink, appearing to read "Mark O'Sullivan". The signature is written in a cursive, flowing style.

Mark O'Sullivan
Chief Executive Officer

2006 Royal Melbourne Show



The redeveloped Showgrounds opened to huge media and public interest on 21 September 2006. Premier Steve Bracks and our then President, Jack Seymour opened the Show and congratulated all concerned on the impressive new look of the transformed facilities and the careful restoration of the heritage buildings.

The gates of the Showgrounds then opened to record crowds over the eleven day period with almost 600,000 visitors attending Victoria's premier family and community event, a 27% increase on the previous year. The diverse mix of entertainment and competitions brought together country and city, providing the best of the best on show in what the Premier described as 'the best of Showgrounds'.

Along with the impressive newly transformed exhibition areas and landscaped outdoor facilities, the 2006 Show saw the introduction of exciting special events such as Theme Days, a music festival called 'Live at Night' and the nab Animal Nursery Discovery Farm, which provided an interactive and educational display of farm animals. The 2006 livestock competitions proved very impressive. Hosted in the new Livestock Pavilion, these competitions were among the most popular attractions at the Show, providing patrons and exhibitors with one of the best livestock judging facilities in the world.

Other highlights of the 2006 Show included the biggest fern wheel in Australia; brand new milking facilities including a demonstration dairy; the return of the Hunting and Showjumping events; the highest number of qualification wins ever seen in the Royal Melbourne Show Saddle classes; and record attendance in the Alpaca section ensuring that once again the Royal Melbourne Show provides the largest public exhibition of alpacas in the Southern Hemisphere.

Sponsorship

With the opening of the redeveloped Showgrounds many more exciting opportunities were available to sponsors in 2006, resulting in a much welcomed and appreciated increase in corporate support.

Principal sponsorship partners for the 2006 Show were Coca-Cola, Kubota, Pedigree, nab and Safeway. The major sponsors included Chadstone, KR Castlemaine, The Herald & Weekly Times, Channel Nine, City of Melbourne, Procal, ITC Timber, Rural Finance, Nestle Peters, Bundaberg Rum, Tooheys, Stock & Land, VicForests and Cleanevent.

Each year the Melbourne Showgrounds demonstrates how it can provide innovative marketing ideas and brand opportunities to sponsors, resulting in an impressive retention rate and growing sponsorship base. Sponsorship ranges from precinct or pavilion naming rights, to competition sponsorship and corporate hospitality. Some of the highlights of effective sponsorship leveraging for 2006 included:

- The nab Animal Nursery Discovery Farm. Returning for a second year of sponsorship, nab had an impressive presence that included a pre-Show campaign, giveaways for patrons through the facility and an education-based competition to engage junior savers. The interactive and educational display of animals attracted record crowds;
- The Coca-Cola Arena provided high octane entertainment with extreme horsemanship and daredevil acts that attracted huge crowds, filling the stands to capacity every day of the Show. Their sponsorship also included the Coke Live 06 site featuring bands and DJ's for the youth market;
- The cutting-edge fashion shows featuring natural fibres from leading Australian designers were presented in 2006 when Chadstone – the Fashion Capital sponsored the Au Natural Fashion Show;
- The Grand Pavilion under the 'Big Top' showcased the best of Gippsland produce, commercial stands, and the Safeway Fresh Food Showcase Kitchen which hosted educational demonstrations;
- Housed in the superb Centenary Hall, the Wonderful World of Pets proved to be a popular attraction featuring sponsorship from Whiskas and Pedigree, Walking with Dinosaurs and pet product distributors.



RAS Awards & Events

2006 Australian International Beer Awards

The Australian International Beer Awards (AIBA) is the pre-eminent showcase for premium beer and brewing excellence in the Asia Pacific Region. The Awards, held by the RAS in conjunction with the University of Ballarat, have continued to maintain international dominance and are now considered the second largest beer competition in the world.

The 2006 Awards received a record number of entries, with over 900 beers from 31 countries competing for the Grand Champion Beer Trophy. Redoak Brewery from Sydney took the top honours, making it the first Australian AIBA win in seven years.

The Awards were announced on 11 May 2006 at a prestigious presentation dinner held in Melbourne. A new prize was introduced by the AIBA in 2006 called the Gary Sheppard Memorial Trophy for Best New Exhibitor. Gary Sheppard, who sadly passed away in May 2005, had been Chairman of the Committee for the AIBA for a number of years and had served as Vice President and a Councillor of the RAS.

2006 Royal Melbourne Wine Show

The Royal Melbourne Wine Show is recognised as Australia's largest wine show and in 2006 attracted an impressive number of exhibitors, with 491 wine makers entering 4,291 wines for judging. Some of the world's greatest palates assembled in Melbourne to judge the high level of entries from across Australia, all vying for the 21 awards on offer.

At the presentation dinner in August 2006, John Davey received the prestigious Jimmy Watson Memorial Trophy on behalf of South Australian wine maker Shingleback Wines. Shingleback Wines, from the Willunga Basin in the McLaren Vale district, won for its D Block Reserve McLaren Vale Cabernet Sauvignon 2005.

The RAS continued its commitment to the improvement of standards in Australian wine show judging by retaining the two-stage judging system introduced last year. In a move widely applauded by both judges and the wine community, this innovative system allows judges to evaluate the wines entered in the Show in a much more effective manner.

2006 Royal Melbourne Dairy Produce Awards

The Royal Melbourne Dairy Produce Awards have been firmly set in the Australian Dairy calendar for over 50 years. This year's awards attracted 15 of Australia's top dairy judges; judging 548 Australian dairy products including cheese, milk, butter, chocolate, ice-cream, yoghurt and other dairy and bovine products.

For the second year in a row, Bega Cheese took out the Royal Melbourne Dairy Produce Awards highly sought after trophy, the 'Most Successful Cheese Exhibitor'. The 'Supreme Cheese Award' was won by The Margaret River Dairy Company, with Parmalat Australia winning the 'Champion Milk' Award.

Royal Melbourne Horse Show

The Royal Melbourne Horse Show (Summer Royal) held in January 2007 was a genuine showcase for Australia's stud horse and pony breeding industry. For the first time in 2007 the Friesian classes joined the popular event, bringing the total number of breeds to 28 and making the Summer Royal one of the biggest breed competitions in Australia.

One of the premier events on the horse competition calendar, the Summer Royal includes Buckskins, Miniature Horses and a Riding for Disabled program. It is also one of Australia's largest Riding Pony competitions.



RAS Prime Lamb Carcase Awards

18,000 lambs were assessed for this year's award in what proved to be one of the strongest years since the program was launched in 2002. The Awards presentation and supporting symposium were held at the Department of Primary Industries in Bendigo in February 2007 and attracted participants from South Australia, New South Wales and across the State. These Awards are respected in the industry for delivering much-valued benchmarking information for the prime lamb sector throughout Australia. The first prize of \$4,000 went to Graham Sudholz of Kotupna in Victoria for his consignment of 243 White Suffolk and Poll Dorset sired lambs.

Weekly Times Farm Business Awards

In March 2007, the RAS hosted the Weekly Times Farm Business Awards. Following on from the inaugural event in 2006, these Awards have now become established as the premier agribusiness event on the calendar. Attracting more than 200 representatives from primary industry across the State, it demonstrates the RAS's commitment to celebrating agricultural excellence. Sponsors, farmers, politicians, media and last year's winners all showed their support for the Awards and attended the Awards presentation luncheon held at the RACV Club in Melbourne.

With a total prize pool of \$28,000 this year's Awards delivered outstanding results. The well known Meredith's Glenspear Partners took top honours amongst a strong field of contenders for their successful sheep and goat cheese dairy operation. The coveted DPI Young Farmer of the Year Award was won by Matthew Tonissen, a prime lamb producer from Hamilton.



Venue Management

The innovative redesign of the redeveloped Showgrounds has created a city within a city and a stylish and sophisticated environment in which to stage events. The 19 hectares of space has over 60,000 metres of exhibition space and includes the magnificent Grand Pavilion, one of the largest tent-like structures in the Southern Hemisphere.

Since opening the gates in August 2006, there has been an increased level of interest from the industry, which has resulted in a constant level of venue bookings, enquiries, leads and site visits.

As a result, 2006 saw a solid foundation of sales for the versatile new venue, including hosting a diverse range of exhibitions and events such as: Walking with Dinosaurs rehearsals; Antique Car Show; Coca-Cola Family Day; Ford Motor Vehicle launch; Greek Opera; John Deere Agricultural Machinery Show; Landscape

Expo; National Tradesman's Expo; University Exams and coming up in August the Gift and Homewares Trade Fair and in November 2007, Equitana Asia Pacific.

RAS has quickly established its credentials as a venue manager and has plans to increase investment in the venue business for the Showgrounds in the future with the appointment of Ian McDonald as the General Manager of Venue in early 2007.

The Showgrounds will be marketed according to its unique versatility and its ability to offer opportunities in the following market segments: exhibitions and trade shows; corporate and associations' Christmas functions; corporate family days and corporate anniversary celebrations; music events; large corporate and conference functions; medium conferences and workshops.

Corporate Governance

Board of Directors

The Board's overarching objectives are to represent and serve the interests of members, guide and monitor the business and affairs of the RAS, and implement good corporate governance structures consistent with relevant ASX governance principles, specifically to:

- Provide strategic guidance to the RAS.
- Provide input into and approve the organisation's strategic/business plans, budgets and performance targets.
- Lay solid foundations for management and oversight.
- Structure the Board to add value.
- Promote ethical and responsible decision making.
- Safeguard integrity in financial reporting.
- Recognise and manage risk.
- Encourage enhanced performance – from economic, social and environmental standpoints.
- Remunerate fairly and responsibly.
- Recognise the legitimate interests of the RAS's stakeholders.

The Board will continue to foster strong relationships with the RAS's joint venture partner and ensure that the Redevelopment Project Objectives are achieved.

Board composition

The Board comprises 10 Directors and is chaired by the person so elected by the Directors.

The Board requires its Directors to have a broad range of expertise and experience in a field which is complementary to the RAS's activities and strategy, or with appropriate professional qualifications and proven ability to make meaningful contributions to the Board's deliberations.

Human Resources Committee

The Human Resources Committee is appointed by the Board of Directors and chaired by the person so elected by the Board. The Committee consists of a minimum of three members and is assisted by the Company Secretary.

The Committee provides an efficient mechanism for reviewing, assessing and recommending where necessary to the Board, remuneration and other human resources policies and practices that meet the needs of the RAS and that enhance corporate and individual performance.

Audit and Risk Management Committee

The Audit and Risk Management Committee consists of Non Executive Directors and suitably qualified independent persons.

It is charged with:

- Assisting the Board and RAS senior management in discharging their responsibilities for financial reporting and in maintaining a reliable system of internal controls covering all of the RAS's operations and activities.
- Monitoring the implementation of RAS's relevant strategies, in relation to their risk management components.
- Fostering the organisation's ethical environment.
- Overseeing and appraising the quality of the audits conducted both by the internal and external auditors.
- Fostering and maintaining open lines of communication between the internal and external auditor to ensure information exchange and coordination of activity.
- Monitoring and assessing the adequacy and scope of the RAS's procedural, operating and accounting controls.
- Providing an independent and objective review of operational and financial information provided by management to the Board.

Nominations Committee

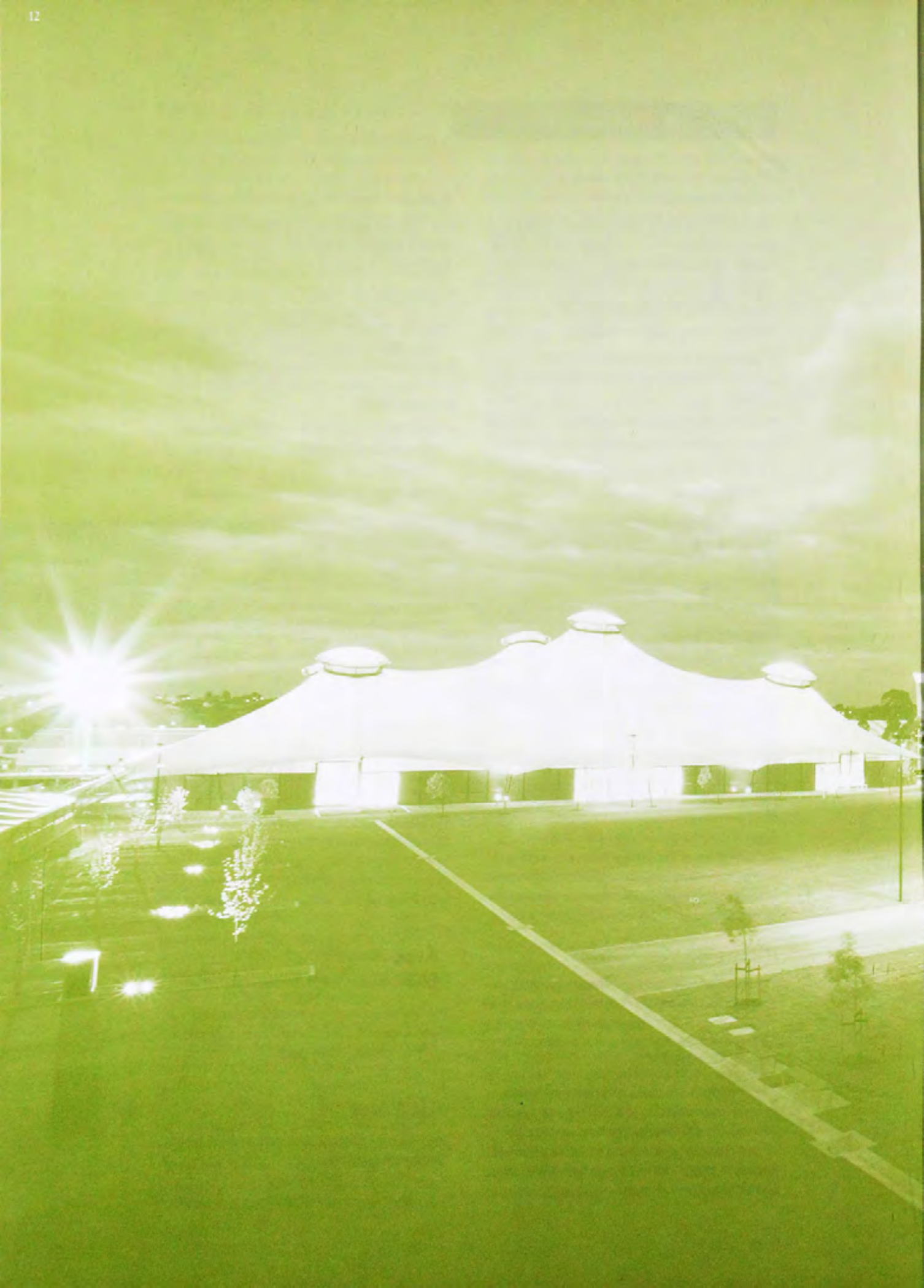
The Committee is appointed by the Board of Directors and is primarily responsible for making recommendations to the Board regarding the selection and nomination of chairpersons and members of:

- The Board.
- Board Committees.
- Industry Advisory and Show Event Committees.

The Committee is also appointed to oversee the implementation of performance evaluation processes for members of the above groups.

Political Activity

The RAS is politically impartial and it does not provide donations to any political party.



FINANCIAL REPORT

FOR THE YEAR ENDED 31 MARCH 2007

THE ROYAL AGRICULTURAL SOCIETY OF VICTORIA LIMITED

ACN 006 728 785



DIRECTORS REPORT

FOR THE YEAR ENDED 31 MARCH 2007

The directors present their report together with the financial report of The Royal Agricultural Society of Victoria Limited ("the Company") for the year ended 31 March 2007 and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Name	Experience and Special Responsibilities
Charles John Fox	John has experience in mixed farming and in the finance industry. He has been a Councillor since 1989 and a Director since 1993. He is currently President of the Company and Chairman of the Board.
Stephen Charles Spargo	Stephen has experience in commercial law and corporate finance. He has an interest in a small beef stud, and was appointed a Councillor and Director in July 2000. He is currently Vice President of the Company and Deputy Chairman of the Board.
Ian Ivor Bucknall	Ian has had pastoral interests and has operated a successful stud sheep enterprise and consulted on animal breeding services. He has been a Councillor since 1986 and a Director since 1993.
Michael Carroll	Michael serves a range of agribusiness companies in a board and consulting capacity and the Federal Government as a member of the Wheat Export Marketing Consultation Committee. He has extensive experience in agricultural finance and working with primary producers, businesses involved in the processing and marketing of agricultural produce, and businesses involved in providing services to agriculture. He was appointed a Director in October 2003.
Richard Charles Embley Cust	Richard has a background in Veterinary Science. He has interests in horse and commercial beef studs. He became a Councillor in 2000, was appointed as a Director in February 2003 and has been a member of the RASV Veterinary Panel since 1972.
Bruce Kelford	In his role as Deputy Secretary, Department of Primary Industries (DPI) Victoria, Bruce is responsible for strategic direction aimed at enhancing the performance of the agriculture, fisheries and food sector in Victoria, in terms of wealth creation and sustainable use of natural resources. He was appointed a Director in 2005.
Barrie Ernest Laws	Barrie has a background in investment and corporate management. He has rural interests in the beef, dairy and fruit industries and became a Councillor and Director in 1998. He is also Chairman of the Audit and Risk Management Committee.
Geoffrey James Phillips	Geoff has a background in rural journalism and marketing with a particular interest in the beef industry. He became a Councillor in 1999 and was appointed a Director in April 2002.
John Horton Seymour AM	Jack has extensive experience in banking, business management and strategy. He has been a Councillor and Director since October 1994, and is a member of the Human Resources and Nominations Committees. He also is chairman of a government business enterprise.
Anabel Shears-Carter	Anabel has broad experience in the agribusiness industry, in addition to being a non-executive chairperson and director of a wide range of organisations in various sectors including education, research and development, wine, architecture and conferences & exhibitions. Anabel was appointed a Director in January 2005.

Company Secretary

Adnan Mansour	Adnan has extensive financial and general management experience, including leading major projects. Adnan is the Chief Operating Officer and was appointed Company Secretary in 1996. Adnan holds a Bachelor of Business, Fellow CPA, CIS and ANZIF and is a member of the Australian Institute of Company Directors.
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Principal Activities

The principal activities of the Company during the course of the year ended 31 March 2007 have comprised of promoting the development of all phases of the agricultural, pastoral, horticultural, viticultural, stock raising, manufacturing and industrial resources of Australia, and the management of the Melbourne Showgrounds and the Royal Melbourne Show.

There were no significant changes in the nature of these activities during the year.

Review and Results of Operations

The operating result of the Company for the year before income tax and joint venture contribution was a profit of \$1,295,912 (2006: loss of \$456,150). After inclusion of the joint venture interest the net loss of the Company for the year after tax was \$1,046,563 (2006: profit \$37,817,250). During the year:

- Attendances at the 2006 Royal Melbourne Show increased from the previous year. This resulted in corresponding increases in admissions, catering and rental income.
- The Company received initial funding of \$500,000 (income of \$250,000, net of 50% joint venture interest) from the Joint Venture as a one-off reimbursement of transitional costs relating to the operation of the 2006 Royal Melbourne Show.
- Assets to the value of \$1,830,861 (income of \$915,430, net of 50% joint venture interest) were transferred to the Company at no cost upon completion of the Showgrounds redevelopment. This has resulted in income recorded for this value in the financial statements during the financial year.
- The Company paid fees to the Joint Venture and the Concessionaire as part of its contractual obligations arising from the redevelopment of the Showgrounds. These fees will be ongoing until the completion of the 25 year term of the Concessionaire.
- Exemption from GST under Section 38-250(2)(v)(ii) of the GST Act has contributed \$123,075 in refunds through GST not being levied on certain classes of ticket prices. The money was applied by way of freezing price increases for the family ticket which otherwise would have been levied. Refer Note 1B(k).
- The Company has participated in the redevelopment of the Showgrounds during the year. As part of this redevelopment the Company has incurred costs on behalf of the Joint Venture. These costs have been reimbursed by the State of Victoria and accordingly are not reflected in the financial statements.

DIRECTORS REPORT

FOR THE YEAR ENDED 31 MARCH 2007

Dividends

The Company is limited by guarantee and is prohibited by its Constitution from paying a dividend to its members.

State of Affairs

Other than as described elsewhere in this report there were no significant changes in the Company's state of affairs during the year.

Events Subsequent to Balance Date

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

Directors' Meetings

The number of directors' meetings and number of directors and Audit and Risk Management Committee meetings attended by each of the directors of the Company during the year are:

	Directors Meetings Attended	Directors Meetings Eligible to Attend	Audit and Risk Management Meetings Attended	Audit and Risk Management Meetings Eligible to Attend
I I Bucknall	9	10	-	-
M Carroll	6	10	-	-
RCE Cust	6	10	-	-
CJ Fox	8	10	2	4
B Kefford	8	10	-	-
BE Laws	8	10	4	4
GJ Phillips	8	10	-	-
JH Seymour	10	10	-	-
A Shears-Carter	9	10	-	-
SC Spargo	10	10	-	-

M Carroll was granted leave of absence from the Board for the months of April and May.

Derivatives and other Financial Instruments

The Company's activities expose it to changes in interest rates. It is also exposed to credit, liquidity and cash flow risks from its operations. The Board has confirmed policies and procedures in each of these areas to manage these exposures. Management reports to the Board on a monthly basis as to the monitoring of policies in place, and adherence to the policies is strictly observed.

Operating cash flows are managed to ensure that the Company is not exposed to any adverse liquidity risks. Adequate standby facilities are maintained to provide liquidity to meet unexpected and material cash outflows in the ordinary course of business.

Likely Developments

At the date of this report, the redevelopment of the Showgrounds has been completed under a Joint Venture between the Company and the State Government. The financial report reflects the Company's 50% participation in the Joint Venture. The Company is currently negotiating with the State for the provision of long term venue management services.

Performance in Relation to Environmental Regulation

The Company does not have exposure to any significant environmental reporting requirements. The Company is sensitive to environmental issues.

Indemnification and Insurance of Directors and Officers

Indemnification

The Company has an agreement indemnifying those persons who are and have been directors and/or officers, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and/or officers of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums

During the year, the Company has paid premiums in respect of directors' and officers' liability and legal expenses for the year ended 31 March 2007. The contracts insure against certain liability (subject to specific exclusions) for persons who are or have been directors or executive officers of the Company.

Directors have not included details of the nature of the liabilities covered or the amount of the premium paid as such disclosure is prohibited under the terms of the contract.

DIRECTORS REPORT

FOR THE YEAR ENDED 31 MARCH 2007

Auditor Independence Declaration

The Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 is set out on page 19 and forms part of the Director's Report for the year ended 31 March 2007.

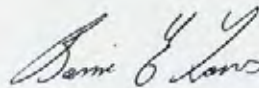
Signed in accordance with a resolution of the Board of Directors made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the Directors



C J Fox
Director

Dated this 19th day of June 2007
Melbourne, Victoria



B E Laws
Director

DIRECTORS REPORT
FOR THE YEAR ENDED 31 MARCH 2007



Chartered Accountants
& Business Advisers

19 June 2007

The Board of Directors
The Royal Agricultural Society of Victoria Limited
Melbourne Showgrounds
Gate 5, Langs Road
ASCOT VALE VIC 3032

Dear Directors

INDEPENDENCE DECLARATION

As engagement partner for the audit of The Royal Agricultural Society of Victoria Limited, for the year ended 31 March 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

Yours faithfully
PKF

M L Port
Partner

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Victorian Partnership | ABN 56 527 914 493
Level 11, CGU Tower | 495 La Trobe Street | Melbourne | Victoria 3000 | Australia
GPO Box 5099 | Melbourne | Victoria 3001

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 \$	2006 \$
Continuing Operations			
Revenue	2	<u>16,555,158</u>	<u>12,605,114</u>
Expenses			
Salaries and Wages		(4,045,628)	(3,849,659)
Finance Costs		(3,972)	(41,403)
Advertising		(849,113)	(837,225)
Attractions		(1,368,408)	(1,204,999)
Catering		(554,100)	(499,718)
Cleaning		(913,386)	(646,445)
Commission to Third Party Ticket Sellers		(499,774)	(455,305)
Competition Expenses		(664,806)	(568,303)
Computer/Website Expenses		(219,620)	(241,408)
Contribution to Asset Replenishment Fund		(52,914)	-
Depreciation		(244,463)	(280,347)
Hire Costs		(1,488,880)	(882,740)
Insurance Costs		(454,180)	(402,249)
Venue Access & Service Fees		(290,691)	-
Maintenance & Event Set Up		(887,208)	(553,646)
Police, Fire & Security		(405,366)	(470,115)
Printing Costs		(304,904)	(269,318)
Professional Fees		(961,905)	(964,449)
Signage & Theming		(194,344)	(108,963)
Utilities & Rates		(195,897)	(180,074)
Other Expenses		(659,707)	(604,898)
Result before income tax and Joint Venture contribution	3	<u>1,295,912</u>	<u>(456,150)</u>
Joint Venture Initial Recognition		-	35,509,420
Joint Venture Revenue	2	3,669,739	3,902,010
Joint Venture Expenses			
Interest Expense – Finance Lease		(3,137,919)	
Concessionaire Fees		(502,334)	
Depreciation		(789,098)	
Project Expenses		(1,582,863)	(1,138,030)
Joint Venture contribution before income tax		<u>(2,342,475)</u>	<u>38,273,400</u>
Result before income tax		<u>(1,046,563)</u>	<u>37,817,250</u>
Income tax expense	1B(b)	-	-
Net result after income tax attributable to members		<u>(1,046,563)</u>	<u>37,817,250</u>

The Income Statement is to be read in conjunction with the attached notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2007

	Retained Earnings	Revaluation Reserve	Total
	\$	\$	\$
As at 31 March 2005	11,058,078	27,437,270	38,495,348
Changes in Equity			
Transfer Asset Revaluation Reserve to Retained Earnings	27,437,270	(27,437,270)	-
Result for the Period	<u>37,817,250</u>	<u>-</u>	<u>37,817,250</u>
As at 31 March 2006	<u>76,312,598</u>	<u>-</u>	<u>76,312,598</u>
Changes in Equity			
Result for the Period	<u>(1,046,563)</u>	<u>-</u>	<u>(1,046,563)</u>
As at 31 March 2007	<u>75,266,035</u>	<u>-</u>	<u>75,266,035</u>

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 \$	2006 \$
Cash Flows from Operating Activities			
Receipts from customers		20,610,316	13,401,328
Payments to suppliers and employees		(15,993,034)	(13,854,311)
Interest received		197,493	207,549
Interest and other costs of finance		(3,137,919)	(37,427)
Net Cash flows provided by/(Used in) Operating Activities (iii)		<u>1,676,856</u>	<u>(282,861)</u>
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(1,268,143)	(41,495)
Proceeds from sale/transfer of property, plant and equipment		8,177	44,635
Net Cash flows (used in) /provided by Investing Activities		<u>(1,259,966)</u>	<u>3,140</u>
Cash Flows from Financing Activities			
Repayment of interest bearing liabilities		(308,338)	-
Repayment of trophy funds		(4,002)	-
Net Cash flows (used in) by Financing Activities		<u>(312,340)</u>	<u>-</u>
Net (Increase)/(Decrease) in Cash held		104,550	(279,721)
Cash and Cash Equivalents at Beginning of Financial Year		<u>2,524,778</u>	<u>2,804,499</u>
Cash and Cash Equivalents at End of Financial Year (i)		<u>2,629,328</u>	<u>2,524,778</u>

Notes to the Cash Flow Statement

(i) Reconciliation of Cash

For the purposes of the Cash Flow Statement, cash includes cash on hand, in banks, and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

Cash	4	<u>2,629,328</u>	<u>2,524,778</u>
------	---	------------------	------------------

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

Notes to the Cash Flow Statement (cont.)

	2007	2006
	\$	\$
(ii) Financing Facilities		
A commercial bill facility of \$1 million (2006: \$1 million) exists with National Australia Bank Limited. The facility is available for one year. At 31 March 2007, \$nil (2006: \$nil) was in use.		
The commercial bill facility is secured by the Company's interest in the Joint Venture as well as by way of a fixed and a floating charge on all assets.		
(iii) Reconciliation of Net Cash provided by Operating Activities to Operating Result		
Net result after tax	(1,046,563)	37,817,250
Add/(less) non-cash items:		
Depreciation	1,033,561	280,347
Amounts set aside to provisions	(29,920)	(3,370)
Interest accrued on Trophy Funds	3,972	(114)
Assets transferred from Redevelopment Project	(915,430)	-
Loss/(Gain) on sale of fixed assets	(8,177)	(34,520)
Joint Venture Interest Income	(3,531,356)	(3,402,011)
Joint Venture Initial Recognition	-	(35,509,420)
Changes in Assets and Liabilities:		
Decrease in Receivables	3,351,675	1,400,557
(Increase) Decrease in Prepayments	(69,705)	(41,612)
Decrease in Inventories	8,482	10,264
Increase/(Decrease) in Payables	2,880,317	(800,232)
Net Cash Provided by/(Used in) Operating Activities	1,676,856	(282,861)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

1 A) Corporate Information

The financial report of the Company for the year ended 31 March 2007 was authorized for issue in accordance with a resolution of the Directors on 19 June 2007.

The Company is a company limited by guarantee incorporated and domiciled in Australia.

The nature of operations and principal activities of the Company are described in the Directors report.

The Company's registered office and principal place of business is at Royal Showgrounds, Epsom Road, Ascot Vale, Victoria, 3032.

1 B) Summary of Significant Accounting Policies

The principal accounting policies adopted by the Company are stated in order to assist in the general understanding of this financial report. These policies have been consistently applied except as otherwise indicated.

(a) Basis of Preparation

In the opinion of the Directors, the Company is a reporting entity. The financial report has been drawn up as a general purpose financial report.

The financial report has been prepared on the accrual basis of accounting as defined in AASB 1001, Accounting Policies - Disclosure, using the historical cost convention and a going concern assumption. Except where stated, it does not take into account changing money values or current valuations of non-current assets. All amounts are presented in Australian dollars unless otherwise noted.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial period amounts and other disclosures.

The financial report has been prepared in accordance with the requirements of the Corporations Act 2001 the recognition and measurement aspects of all applicable Accounting Standards, including Australian equivalents to International Financial Reporting Standards (IFRS), and other mandatory professional reporting requirements that have a material effect.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

1 B) Summary of Significant Accounting Policies (cont.)

(b) Income Tax

The Royal Agricultural Society of Victoria Limited has an exemption from income tax under Division 50 of the Income Tax Assessment Act (1997).

(c) Cash and Cash Equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. These are carried at face value of the amounts deposited. The carrying amounts of cash and short term deposits approximate net fair value. Interest revenue is accrued at the market or contracted rates and is received on a monthly or quarterly basis.

(d) Trade and Other Receivables

Trade debtors are generally settled within 60 days and are carried at amounts due. The collectability of debts is assessed at period end and specific provision is made for any doubtful accounts. The carrying amount of trade debtors approximates net fair value.

(e) Prepayments

Expenses paid in the current financial year for which the economic benefits have not been completely consumed at balance date, have been deferred and recorded as a prepayment in the Balance Sheet. Prepayments are amortised as an expense in the Income Statement in following years as the economic benefits of the payment are consumed.

(f) Plant and Equipment

Acquisition

Items of plant and equipment are initially recorded at cost and are depreciated over their estimated useful lives using the straight line method.

Depreciation

The depreciation rates used for each class of asset are as follows:

Plant & Equipment	2% - 33.3%
Motor Vehicles	20%

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

1 B) Summary of Significant Accounting Policies (cont.)

Subsequent Additional Costs

Costs incurred on plant and equipment subsequent to initial acquisition are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance of the asset will flow to the Company in future years. Where these costs represent separate components they are accounted for as separate assets and are separately depreciated over their useful lives.

(g) Inventories

Inventories are carried at the lower of cost and net realisable value.

(h) Employee Benefits

Wages, Salaries and Annual Leave

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates and include related on-costs.

Long Service Leave

The provision for employee benefits to long service leave represents the present value of the estimated future cash out flows to be made by the employer resulting from employees' services provided up to the balance date.

Provisions for employee benefits which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the provision for employee benefits, consideration has been given to future increases in wage and salary rates, and the Company's experience with staff departures. Related on-costs have also been included in the liability.

Superannuation

Contributions to employee superannuation funds are charged against income as they are made. Each employee has the ability to choose the fund they wish their contributions to be paid into. The employer contributions where an employee has not elected to choose a superannuation fund are either paid into an accumulation scheme managed by BT Funds Management Ltd for permanent staff or an industry accumulation scheme, HOST PLUS, for casual staff.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

1 B) Summary of Significant Accounting Policies (cont.)

(i) Revenue Recognition

Rendering of Services

Revenue for services is recognised when the service has been performed on an accruals basis. Show admission revenue is recognised at the time of the Royal Show being held. Non-cash sponsorship revenue is not recorded in the financial statements of the Company.

Rental Income

Rental income is recognised as it accrues over the period that the properties are leased to third parties.

Interest Income

Interest revenue is recognised as it accrues.

Reimbursement of Transitional Costs

The Company has received funding as reimbursement of transitional costs relating to the operation of the Royal Show during the redevelopment of the Showgrounds.

Assets transferred from Redevelopment Project

Upon completion of the Showgrounds redevelopment assets were transferred to the Company at no cost. Income has been recorded in the financial statements during the financial year to reflect this transfer.

Sale of Assets

The net profit or loss on asset sales not originally purchased for the intention of resale are included as revenue or expense at the date an unconditional contract of sale is signed.

(j) Trade and Other Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 30 days. The carrying value of payables approximate net fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

1 B) Summary of Significant Accounting Policies (cont.)

(k) Goods and Services Tax

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

Exemption from GST has been determined under Section 38-250(2)(v)(ii) of the GST Act for certain classes of admissions and entries relating to the Royal Show. This has resulted in a refund for GST incorrectly paid to the Australian Taxation Office for GST on supplies that were deemed to be GST-free. The determination of GST-free status for admissions and entry fees is carried out on an annual basis.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(l) Finance Costs

Finance costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and future lease finance charges. Finance costs are expensed as incurred.

(m) Joint Venture

Joint ventures are contractual arrangements between the Company and one or more other parties to undertake an economic activity that is subject to joint control. Joint control only exists when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Interests in jointly controlled operations and jointly controlled assets are accounted for by recognising in the Company's financial statements its share of the assets, liabilities and any income and expenses of such joint ventures.

(n) Impairment

The carrying values of non-current assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

1 B) Summary of Significant Accounting Policies (cont.)

If any such indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognized in the income statement.

(o) Impact of New and Revised Accounting Standards or Interpretations that are not yet Effective

There have been a number of amendments made to Accounting Standards issued by the Australian Accounting Standards Board ("AASB") that are not yet effective.

The directors do not believe that the new and revised standards issued by the AASB that are not yet effective will have any material impact on the financial statements.

(p) Significant Judgements and Key Assumptions

There are no significant judgements or key assumptions made by management in the application of accounting policies that are considered to have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year.

(q) Change in Accounting Policy

The Company's interest in the unincorporated joint venture for the Royal Melbourne Showgrounds redevelopment was previously recognised using the equity accounting approach. To provide more reliable and relevant information and greater transparency about the effects of the joint venture transactions and to ensure compliance with AASB 131 – Interest in Joint Ventures, the Company's interest in the unincorporated joint venture is now recognized on a line by line basis. This has resulted in the Company separately reporting its share of the assets, liabilities, expenses and revenues of the unincorporated joint venture, instead of a single amount, representing the Company's investment in joint venture that was adopted in the previous year. The impact of this change is that in place of the one line disclosure of \$71.16 million (2006: \$74.35 million) representing the Company's investment in the joint venture, the Company has separately recognised and disclosed its share of the assets, liabilities, expenses and revenues of the unincorporated joint venture (see note 8).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

1 B) Summary of Significant Accounting Policies (cont.)

(r) Leases

A distinction is made between finance leases which transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased asset and operating leases under which the lessor retains substantially all the risks and rewards. Where an asset is acquired by means of a finance lease, the fair value of the leased property or the present value of minimum lease payments, if lower, is established as an asset at the beginning of the lease term. A corresponding liability is also established and each lease payment is apportioned between the finance charge and the reduction of the outstanding liability. Operating lease rental expense is recognized as an expense on a straight line basis over the lease term, or on a systematic basis more representative of the time pattern of the user's benefit.

The buildings of the joint venture have been accounted for on a finance lease basis.

	2007 \$	2006 \$
2. Revenue		
Rendering of Services		
Admissions Revenue	6,520,174	4,643,576
Members Subscriptions	220,624	219,668
Rental Income	4,272,132	3,718,492
Catering Premiums	928,711	733,108
Sponsorship	1,233,309	976,986
Competition Income	1,102,828	854,391
Secretarial and Management Fees	169,208	170,469
Parking Revenue	224,231	194,129
	<u>14,671,217</u>	<u>11,510,819</u>
Other Income		
GST Reimbursement	123,075	273,892
Joint Venture Income	3,669,739	3,902,010
Reimbursement of Transitional Costs	250,000	-
Assets transferred to Company from Redevelopment Project	915,430	-
Interest	197,493	207,549
Gain/(loss) on disposal of property, plant & equipment	8,177	34,520
Other revenue	389,766	578,334
	<u>5,553,680</u>	<u>4,996,305</u>
Total Revenue	<u>20,224,897</u>	<u>16,507,124</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

	2007 \$	2006 \$
3. Items Included in Result		
Depreciation	244,463	280,347
Lease rental expense - operating leases	88,312	113,655
Bad and doubtful debts	-	3,450
Employee benefits expense	216,369	297,004
Finance Costs	3,972	41,403
Superannuation contribution expense	248,520	222,766
4. Cash and Cash Equivalents		
Cash on hand	1,300	1,300
Cash at bank and on deposit	2,628,028	2,523,478
	<u>2,629,328</u>	<u>2,524,778</u>
Average interest rates at 31 March 2007 on cash accounts were 5.91% (2006: 5.43%).		
5. Trade and other Receivables		
Trade Receivables	388,454	141,480
Costs of Redevelopment due from the State (i)	231,809	404,445
Sundry Receivables	7,160,762	3,440,772
Investment Principal Redemption in Transit	-	200,000
	<u>7,781,025</u>	<u>4,186,697</u>
No interest is charged on receivables.		
(i) As at 31 March 2007, amounts due from the State Government relating to the redevelopment were \$231,809. These costs have since been reimbursed.		
6. Inventories (Current)		
Finished Goods	3,600	12,082
7. Property, Plant and Equipment		
Land - at cost	25,500,000	25,500,000
Buildings & Structures		
- at cost	52,558,924	-
- accumulated depreciation	(789,098)	-
	<u>51,769,826</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

	2007 \$	2006 \$
7. Property, Plant and Equipment (cont)		
Motor Vehicles		
- at cost	40,444	65,141
- accumulated depreciation	(15,072)	(32,000)
	25,372	33,141
Plant and Equipment		
- at cost	3,252,659	1,244,281
- accumulated depreciation	(1,169,947)	(1,108,447)
	2,082,712	135,834
Total land, buildings and structures, motor vehicles, plant and equipment - Net book value	79,377,910	25,668,975

Reconciliation of Movements in 2007

Asset Class	Opening Balance \$	Additions \$	Depreciation/ Amortisation \$	Disposals \$	Closing Balance \$
Land	25,500,000	-	-	-	25,500,000
Buildings & Structures	-	52,558,924	(789,098)	-	51,769,826
Motor Vehicles	33,141	-	(7,769)	-	25,372
Plant and Equipment	135,834	2,183,572	(236,694)	-	2,082,712
	25,668,975	54,742,496	(1,033,561)	-	79,377,910

Reconciliation of Movements in 2006

Asset Class	Opening Balance \$	Additions \$	Depreciation/ Amortisation \$	Disposals \$	Closing Balance \$
Land	-	25,500,000	-	-	25,500,000
Buildings & Improvements	18,525,564	-	(126,316)	(18,399,246)	-
Motor Vehicles	9,433	39,238	(4,227)	(11,303)	33,141
Plant and Equipment	1,506,655	2,257	(149,803)	(1,223,275)	135,834
	20,041,652	25,541,495	(280,346)	(19,633,826)	25,668,975

The Company transferred its land, buildings and improvements during the year ended 31 March 2006 to Showgrounds Nominees Pty Ltd which is a nominee company for a joint venture between the State of Victoria and the Company for the redevelopment of the Showgrounds. The Company retains a 50% interest in the Joint Venture. Refer to note 8.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

8. Investment in Joint Venture

The redevelopment of the Showgrounds, which was completed in August 2006, was delivered under the Government's *Partnerships Victoria* methodology.

The State has made a funding contribution of approximately \$108 million and RAS has transferred its land with buildings and improvements to the Joint Venture. The State and the Company are each 50% participants in the Joint Venture.

The Joint Venture structure involves an unincorporated Joint Venture which delivered the project and an incorporated entity known as the Project Company – Showground Nominees Pty Ltd – which has the role of holding the project land on a bare trust basis for and on behalf of the Joint Venture participants. Each participant, the State and the Company, owns 50% of the shares in the Project Company.

As Showground Nominees Pty Ltd holds the Showgrounds land on a bare trust basis for the State and the Company as 50% participants in the Joint Venture, the financial statements have been prepared on the basis that the Company has indirectly recognised its 50% interest via its accounting for the Joint Venture.

The reporting date for the Joint Venture is 30 June 2007. Interim information has been extracted for the purpose of preparation of the Company's financial statements as at 31 March 2007.

The assets and liabilities of the jointly controlled operation at 31 March 2007 are as follows:

Name of Entity	Principal Activity	Interest	
		2007	2006
		%	%
Unincorporated joint Venture	To carry out the redevelopment of the Royal Melbourne Showgrounds	50	50
		2007	2006
		\$	\$
Current Assets			
Bank		88,973	500,000
Prepayments		33,772	-
Receivables		7,189,127	3,215,169
Total Current Assets		7,311,872	3,715,159
Non Current Assets			
Land		25,500,000	25,500,000
Buildings & Structures – net book value		51,769,826	-
Receivables		41,717,303	45,131,950
Total Non Current Assets		118,987,129	70,631,950
Total Assets		126,299,001	74,347,109

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

8. Investment in Joint Venture (cont.)

	2007 \$	2006 \$
Current Liabilities		
Creditors & Accruals	2,852,809	-
Income in Advance	34,375	-
Interest Bearing Liability	538,582	-
Total Current Liabilities	3,425,766	-
Non Current Liabilities		
Interest Bearing Liability	51,712,003	-
Total Non Current Liabilities	51,712,003	-
Total Liabilities	55,137,769	-
Net Assets	71,161,232	74,347,109

There were no impairment losses in the jointly controlled operation.

Showgrounds Nominees Pty Ltd, as nominee for the Joint Venture, has entered into a number of agreements with the developer of the Showgrounds, referred to as the Concessionaire. These agreements included settlement for the construction of the buildings and infrastructure and the ongoing maintenance and life-cycle costs during the duration of the concession deed of 25 years.

These costs will be met from existing assets of the Joint Venture, some of the future revenue streams from the Showground facilities, and where necessary, funding from the State Government, in accordance with agreements entered into between the Joint Venture, the Joint Venture participants and Showgrounds Nominees Pty Ltd.

Under the State Support Deed – Core Land, the State has undertaken to ensure the performance of the payment obligations in favour of the Concessionaire and the performance of the Joint Venture financial obligations in favour of the security trustee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

	2007 \$	2006 \$
8. Investment in Joint Venture (cont)		
Under the State Commitment to RAS, the State has agreed to support certain obligations of the Company which may arise out of the Joint Venture Agreement. In accordance with the terms set out in the State Commitment to RAS, the State will pay (in the form of a loan), the amount requested by the Company. If any outstanding loan amount remains unpaid at 25th August 2031, which is 25 years after the commencement of the operation term under the Development and Operation Agreement, the Company will be obliged to satisfy and discharge each such outstanding loan amount. This may take the form of a transfer to the State of the whole or part of the Company's participating interest in the Joint Venture.		
A fixed and floating charge is still under negotiation with the State.		
9. Trade and Other Payables		
Creditors and Accruals	3,904,567	1,055,169
Income in Advance	167,505	136,584
	<u>4,072,072</u>	<u>1,191,753</u>
10. Provisions (current)		
Employee Benefits	<u>270,101</u>	<u>305,606</u>
11. Interest Bearing Liabilities (current)		
Finance Lease – Showgrounds Redevelopment	<u>538,582</u>	<u> </u>
12. Interest Bearing Liabilities (Non-Current)		
Finance Lease – Showgrounds Redevelopment	51,712,003	-
Trophy Funds	100,515	100,547
	<u>51,812,518</u>	<u>100,547</u>
13. Provisions (Non-Current)		
Employee Benefits	<u>14,413</u>	<u>8,828</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

14. Contributed Equity

The Royal Agricultural Society of Victoria Limited is a company limited by guarantee, thereby the Company has been formed on the principle of having the liability of its members limited by the Constitution to the respective amounts that the members undertake to contribute to the property of the Company in the event of it being wound up.

	2007	2006
	\$	\$

15. Commitments

Future operating lease rentals not provided for in the financial statements:

Payable:		
Not longer than one year	80,298	86,998
Longer than one year but not longer than two years	20,620	67,273
Longer than two years but not longer than five years	11,072	7,595
	<u>111,990</u>	<u>161,866</u>

Operating leases have an average lease term of 4 years.
Assets that are subject to operating leases include office equipment.

Future finance leases provided for in the financial statements:

Payable:		
Not longer than one year	538,582	-
Longer than one year but not longer than five years	2,771,753	-
Longer than five years	48,940,250	-
	<u>52,250,585</u>	<u>-</u>

The finance lease relates to the Showgrounds buildings with a lease term of 25 years.
The buildings will revert to the joint venture on the conclusion of the lease arrangement.

As part of the contractual obligations with the State, the Company is obliged to contribute to the Joint Venture a defined percentage of its cash surplus based on a pre-determined formula. Subject to a floor of \$500,000 and a ceiling of \$2.27 million, the Company must contribute a percentage of its cash surplus (before including the 50% share of joint venture results) as follows:

Years	Percentage
1 - 2	50%
3 - 5	60%
5 - 25	75%

Based on the Company's result, the current year contribution payable to the Asset Replenishment Fund is \$52,914.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

16. Segment Reporting

The Company promotes the development of agricultural, pastoral, horticultural, viticultural, stock raising, manufacturing, and industrial resources within the geographical segment of Australia.

17. Employee Benefits

	2007 \$	2006 \$
Aggregate employee benefits, including on-costs:		
- Accrued salaries and wages	68,946	54,670
- Provisions (Current)	270,101	305,606
- Provisions (Non-current)	14,413	8,828
	<u>353,460</u>	<u>369,104</u>

18. Financial Instruments

All investment decisions are subject to regular Board review. The Company does not engage in any significant transactions which are highly speculative in nature.

Credit Risk Exposure

The maximum credit risk exposure of financial assets is represented by the carrying amounts of assets recognized in the Balance Sheet net of any provision for losses. The Company had no significant concentrations of credit risk with any single counter party or group of counter parties.

Net Fair Values of Financial Assets and Liabilities

The carrying amounts of financial assets and liabilities approximate fair value. The aggregate net fair value of financial assets and liabilities is presented in the table below. Net fair value of financial assets and liabilities are determined on the following basis:

Cash, cash equivalents and short term investments: The carrying amount approximates fair value because of their short term to maturity.

Receivables and payables: The carrying amount approximates fair value.

Interest Bearing Liabilities: The carrying amount approximates fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

18. Financial Instruments (cont.)

Interest Rate Risk Exposure

Exposures to interest rate risks on financial assets and liabilities are summarised as follows:

2007	Non Interest Bearing \$	1 year or Less \$	Over 1-5 years \$	Floating Interest Rate \$	Total \$
Financial Assets:					
Cash and cash equivalents	-	-	-	2,629,328	2,629,328
Trade & Other Receivables	591,898	7,189,127	41,717,303	-	49,498,328
	591,898	7,189,127	41,717,303	2,629,328	52,127,656
Effectuated weighted average interest rate	-	7.36%	7.36%	5.91%	
Financial Liabilities:					
Trade & Other Payables	(4,072,072)	-	-	-	(4,072,072)
Interest Bearing Liabilities	-	(538,582)	(51,812,518)	-	(52,351,100)
	(4,072,072)	(538,582)	(51,812,518)	-	(56,423,172)
Effective interest rates/ weighted average interest rate	-	9.96%	9.96%	-	-
Net Financial Assets/ (Liabilities)	(3,480,174)	6,650,545	(10,095,215)	2,629,328	4,295,516

2006	Non Interest Bearing \$	1 year or Less \$	Over 1-5 years \$	Floating Interest Rate \$	Total \$
Financial Assets:					
Cash and cash equivalents	-	-	-	2,524,778	2,524,778
Trade & Other Receivables	971,538	3,215,159	45,131,950	-	49,318,647
	971,538	3,215,159	45,131,950	2,524,778	51,843,425
Effectuated weighted average interest rate	-	7.36%	7.36%	5.43%	
Financial Liabilities:					
Trade & Other Payables	(1,191,753)	-	-	-	(1,191,753)
Interest Bearing Liabilities	-	(100,547)	-	-	(100,547)
	(1,191,753)	(100,547)	-	-	(1,292,300)
Effective interest rates/ weighted average interest rate	-	3.95%	-	-	-
Net Financial Assets/ (Liabilities)	(220,215)	3,114,612	45,131,950	2,524,778	50,551,125

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

19. Events Subsequent to Balance Date

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

	2007 \$	2006 \$
20. Auditors Remuneration		
Total of all remuneration received and receivable in connection with:		
(a) Audit of the Annual Financial Report:	25,424	24,000
(b) Other Services:		
Royal Melbourne Show Assurance Procedures	7,463	6,490
Other Audit Services – Joint Venture	15,710	8,125
Taxation/AIFRS Compliance Services	13,700	26,541
	<u>62,297</u>	<u>65,156</u>

21. Directors Remuneration

Directors of the Company do not receive remuneration for services provided.

22. Related Party Transactions

- i. The Company performs accounting and secretarial functions for various animal breed societies. The fees charged for these services were \$169,208 (2006: \$170,469).
- ii. The names of all Directors who have held office during the year are:
 - Ian Ivor Bucknall
 - Michael Carroll
 - Richard Charles Embley Cust
 - Charles John Fox
 - Bruce Kefford
 - Barrie Ernest Laws
 - Geoffrey James Phillips
 - John Horton Seymour
 - Anabel Shears-Carter
 - Stephen Charles Spargo
- iii. Mr M Carroll was associated with the Company's bankers who provide financial services at arms length terms and conditions. He was also associated with an organization that provides sponsorship monies to the Company. The total value of this transaction was \$115,000 (2006: \$75,000).
- iv. Mr C J Fox and Mr J H Seymour are associated with an organization that provides sponsorship monies and/or donated goods and services to the Company. The total value of these transactions were \$38,000 (2006: \$25,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

22. Related Party Transactions (cont.)

- v. Mr G J Phillips is a director of a firm that provides consultancy services to Stock & Land Beef Week. The Company provided secretarial services to Stock & Land Beef Week at arms length.
- vi. Mr S C Spargo is a partner of Allens Arthur Robinson whose firm provides legal services to the Company. The total amount paid by the Company for the legal services provided by the firm was \$62,050 (2006: \$265,222). Of this amount, \$59,073 relates to the redevelopment of the Showgrounds which has been reimbursed by Major Projects Victoria.
- vii. Mr B Kefford is the Deputy Secretary of the Department of Primary Industries (DPI). The DPI is the State's representative in terms of the 50% share in the Joint Venture and in Showgrounds Nominees Pty Ltd. The Company also has various dealings with the DPI through its rural and regional competitions, including the provision of sponsorship monies to the Company. The total value of these transactions was \$10,000 (2006: \$10,000).
- viii. Directors and Councillors had related party transactions at arms length with the Company involving the purchase of goods/services considered to be trivial or domestic in nature.
- ix. The Royal Agricultural Society of Victoria Limited has a 50% interest in an unincorporated joint venture. Refer to note 8 for transactions for the year ended 31 March 2007.

23. Key Management Information

Key management personnel comprise directors and other persons having authority and responsibility for planning, directing and controlling the activities of the Company.

The amounts paid or payable to key management are as follows:

	2007 \$	2006 \$
Short-term employee benefits	1,057,565	1,076,912
Other long-term benefits	98,544	114,608
Termination benefits	116,421	66,295
	<u>1,272,530</u>	<u>1,257,815</u>

DIRECTOR'S DECLARATION

FOR THE YEAR ENDED 31 MARCH 2007

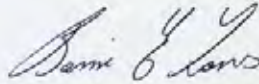
In the opinion of the directors of The Royal Agricultural Society of Victoria Limited:

- a) the accompanying financial statements and notes thereto, are in accordance with the Corporations Act 2001, comply with the accounting standards and give a true and fair view of the Company's financial position as at 31 March 2007 and of its performance for the year ended on that date;
- b) at the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to Section 295(5) of the Corporations Act 2001.



C J Fox
Director
Dated this 19th day of June 2007
Melbourne, Victoria



B E Laws
Director

INDEPENDENT AUDIT REPORT

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
THE ROYAL AGRICULTURAL SOCIETY OF VICTORIA LIMITED**



Chartered Accountants
& Business Advisers

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity and cash flow statement, accompanying notes to the financial statements, and the directors' declaration for The Royal Agricultural Society of Victoria Limited, for the year ended 31 March 2007.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting 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 in order to express an opinion to the members of The Royal Agricultural Society of Victoria Limited. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to 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 control, 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 assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows. We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of The Royal Agricultural Society of Victoria Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of The Royal Agricultural Society of Victoria Limited's financial position as at 31 March 2007 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

PKF
Chartered Accountants

M L Port
Partner

19 June 2007, Melbourne

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