

Statement

No. ACT of 2016

Tabcorp Holdings Limited

Proposed acquisition of Tatts Group Limited by Tabcorp Holdings Limited way of scheme of arrangement

Statement of: James (Jim) Watters
Address: 79 Morphett Road, Morphettville South Australia 5043
Occupation: Chief Executive Officer, Thoroughbred Racing SA Ltd
Date: 28 February 2017



I, James (Jim) Watters of 79 Morphett Road, Morphettville, in South Australia, say that:

1. I am the Chief Executive Officer of Thoroughbred Racing SA Ltd (**TRSA**). I have held this position since April 2009.
2. This statement is made in relation to an application by Tabcorp Holdings Limited (**Tabcorp**) to the Australian Competition Tribunal (the **Tribunal**) for authorisation of the merger of Tatts Group Limited (**Tatts**) and Tabcorp.
3. Exhibited to me at the time of making this statement is an Exhibit of documents which I refer to in this statement (**Exhibit JW-1**). Where, in this statement, I refer to the Exhibit JW-1 Tab[x], I am referring to the corresponding Tab outlined in the index to this statement.
4. During the years I have worked in the thoroughbred racing industry I have acquired detailed knowledge in relation to many aspects of the industry, including knowledge of:
 - (a) the South Australia wagering industry;
 - (b) the interrelationship between the wagering industry and the thoroughbred racing industry in South Australia;
 - (c) the funding arrangements TRSA has with Tatts, corporate bookmakers and interstate totalisators, to the extent discussed in this statement;
 - (d) the activities of Tatts (as the exclusive totalisator in the state of South Australia);
 - (e) the nature and amount of payments made by Tatts, corporate bookmakers and interstate totalisators to TRSA under the funding arrangements referred to in (c).
5. This statement is arranged by reference to the following subject matters:

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A handwritten signature in blue ink, appearing to be 'JW', is located at the bottom right of the page.

- (a) an overview of TRSA; its operations and activities, its social and economic contributions, the funding it receives from the wagering industry, its 2016 financial performance and its key challenges for the future (**Section A**); and
- (b) my knowledge of the Tatts / Tabcorp transaction and my view on the potential benefits of the transaction for the thoroughbred racing industry in South Australia and South Australia generally (**Section B**).

SECTION A - TRSA

TRSA's operations and activities

- 6. TRSA is a company limited by guarantee and the controlling body for thoroughbred horseracing in South Australia. TRSA has an overriding responsibility to secure the industry's long term financial viability and build a positive image of thoroughbred racing in South Australia.
- 7. In representing, promoting and supporting the State's thoroughbred racing industry, TRSA is assisted by its two shareholder groups:
 - (a) Country Racing SA, also known as the South Australian Racing Clubs Council (**SARCC**), which represents the State's 24 provincial and country clubs; and
 - (b) the South Australian Jockey Club (**SAJC**), which conducts the Adelaide metropolitan races.
- 8. The principal operations of TRSA are to:
 - (a) ensure the integrity of thoroughbred horse racing in South Australia;
 - (b) regulate and control all aspects of thoroughbred horse racing including licensing, ownership, employment and participation;
 - (c) employ the personnel required to regulate the industry, plan and program race meetings and conduct race meetings;
 - (d) prepare and implement plans and strategies for the management of the financial affairs of the thoroughbred horse racing code and for the development, promotion and marketing of the code in the state of South Australia, and effectively market and manage the TRSA brand both inter and intra state;
 - (e) receive payments from UBET SA Pty Ltd (**UBET SA**), which is owned and operated by Tatts, from wagering conducted by UBET SA on racing in any Australian State and Territory including South Australia;
 - (f) negotiate arrangements with, and receive payments from, interstate wagering operators (corporate bookmakers and TABs) that take bets on thoroughbred races conducted in South Australia;
 - (g) determine the allocation of industry funding to thoroughbred racing clubs in South Australia from revenue received, and provide financial support and management assistance to thoroughbred racing clubs throughout South Australia;
 - (h) provide payments and funding for prize money to owners, trainers and jockeys;

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- (i) negotiate vision rights with broadcasters for thoroughbred races conducted in South Australia;
 - (j) represent the South Australian industry in dealings with the Racing Australia Board and other controlling authorities throughout Australia;
 - (k) manage the industry's relationship with the State Government, primarily through the Minister for Racing;
 - (l) conduct the operations of the South Australian Apprentice Jockeys Academy; and
 - (m) manage and administer the work cover claims for all injured licensed jockeys and apprentices.
9. TRSA is overseen by a seven-member Board of Directors (with day-to-day operations being managed by a team that reports to me as Chief Executive Officer).
10. In TRSA's Strategic Plan 2013 - 2016 (**Strategic Plan**), a copy of which appears at Exhibit JW-1 Tab 1, the Board adopted a set of seven objectives for TRSA.
11. In relation to the impact of the proposed merger on TRSA, the most relevant objectives from the Strategic Plan include:
- (a) Objective 1: maintaining high levels of integrity and leading the industry to ensure the long term viability of the thoroughbred racing industry;
 - (b) Objective 2: leading the industry in a financially responsible manner to ensure the long term financial viability of the thoroughbred racing industry;
 - (c) Objective 4: increasing prize money to encourage horse ownership in thoroughbred racing in South Australia whilst maintaining the over-riding objective of the long term financial sustainability of the industry; and
 - (d) Objective 6: improving the infrastructure and facilities supporting the industry consistent with industry and community standards whilst maintaining the over-riding objective of the long term financial sustainability of the industry.
12. TRSA regularly consults with owners, breeders, trainers, jockeys and bookmakers in South Australia to monitor the current status of the local industry and assist TRSA to develop its long term plans. TRSA's key industry stakeholder groups include the:
- (a) Australian Trainers' Association (SA Branch);
 - (b) South Australian Jockeys' Association;
 - (c) South Australian Jumps Racing Association;
 - (d) South Australian Thoroughbred Breeders' Association;
 - (e) South Australian Racehorse Owners' Association; and
 - (f) South Australian Bookmakers' League.

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TRSA's social and economic contributions

13. In about 2012, at my initiative and with Board support, TRSA, together with Greyhound Racing SA and Harness Racing SA, commissioned an economic study into the South Australian racing industry (**Economic Study**) from IER Pty Ltd. IER Pty Ltd consulted widely with the SA racing industry in preparing the Economic Study. The Economic Study reported in FY 12/13 appears at Exhibit JW-1 Tab 2.
14. The findings of the Economic Study were accepted by the Board on or about 28 June 2013 and included the following:
- (a) the South Australian thoroughbred racing industry generated direct expenditure of \$210.83 million and contributed \$280.24 million in direct value added contribution to South Australia's gross State product: Exhibit JW-1 Tab 2;
 - (b) about 8,000 people were directly involved in the thoroughbred racing industry in the State, including paid employees, racing participants and volunteers - approximately 1 in every 200 residents in South Australia: Exhibit JW-1 Tab 2;
 - (c) about 367,900 people attended approximately 193 race meetings held in South Australia each year, spending nearly \$51.0 million, of which more than 38% occurred off track providing a significant stimulus to local businesses such as restaurants, hotels and pubs: Exhibit JW-1 Tab 2; and
 - (d) *"the three codes of racing in South Australia have adopted practices that engage both individuals and organisations within their communities, particularly in terms of supporting charitable organisations, engaging volunteers and building community partnerships. The survey results highlighted the following positive outcomes demonstrated at Clubs:*
 - (i) *over 160 community organisations or charities are assisted financially by Racing Clubs*
 - (ii) *62 community organisations share Racing Club facilities and resources*
 - (iii) *racing clubs currently engage more than 1,240 volunteers who assist in various Club and industry related roles*
 - (iv) *7,363 people hold Racing Club memberships who, in turn, invited 6,489 Guest Members to the races":* Exhibit JW-1 Tab 2.

Funding TRSA receives from the wagering industry

15. Relevant to the proposed merger of Tatts and Tabcorp, the main sources of funding which TRSA receives from the wagering industry are referred to in TRSA's Annual Reports as "TAB Product Fees", "Wagering Tax Relief", "Betting Operations Contributions" and "Screening and International Rights". I describe each of these sources of funding in more detail below:
- (a) **TAB Product Fees**
 - (i) UBET SA Pty Ltd pays Racing SA (on behalf of TRSA, Harness Racing SA and Greyhound Racing SA) a fee of 39% of its net wagering revenue generated from pari-mutuel and fixed price betting by customers of

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UBET SA (less race field fees payable to interstate and international racing operators¹ and other confidential items).

- (ii) The fees received by Racing SA are referred to as TAB Product Fees and are distributed between TRSA, Harness Racing SA and Greyhound Racing SA, with TRSA's apportionment recorded in TRSA's Annual Reports as "TAB Product Fees".

(b) **Wagering Tax Relief**

- (i) Prior to 1 July 2012, UBET SA paid a fixed fee of 6% of its net wagering revenue to the State Government, referred to as a wagering tax.²
- (ii) As I noted in TRSA's 2013 Annual Report at Exhibit JW-1 Tab 7, since 1 July 2013 UBET SA has paid all of the wagering tax to Racing SA, in addition to the TAB Product Fees,

"Effective from the commencement of the 2012/13 financial year, the full amount of the wagering tax is distributed to the industry."

- (iii) The wagering tax received by Racing SA is distributed between TRSA, Harness Racing SA and Greyhound Racing SA, with TRSA's apportionment recorded in TRSA's Annual Reports as "Wagering Tax Relief".

(c) **Betting Operations Contributions**

- (i) TRSA has various agreements with various corporate bookmakers and interstate wagering operators, which, among other things, allow for the use and publication of TRSA's racing information by the corporate bookmakers. The terms of these agreements are confidential but the fees payable under these agreements are referred to as "Betting Operations Contributions" in TRSA's Annual Reports.
- (ii) In TRSA's 2016 Annual Report at Exhibit JW-1 Tab 3:

"Net Betting Operation Contributions (BOC) is after deductions...relating to charges incurred by UBET SA from other States' Race Fields legislation (which is the equivalent of South Australia's BOC). Under the South Australian Racing Distribution Agreement, ie the Agreement between the UBET SA and the three Codes following the sale of the SA TAB (now UBET SA), UBET SA is entitled to recover from the Codes the cost to obtain interstate racing product."

- (iii) I understand that fees similar to the Betting Operations Contributions are paid to the racing industries in other Australian States and Territories by

¹ ASX Announcement dated 15 August 2001 by TAB Queensland Limited (now UBET Qld Limited) regarding its acquisition of SATAB. Thoroughbred Racing SA Annual Report FY 2016, page 6 ("the Industry is required to reimburse UBET for the charges imposed on them by other States' Race Fields for wagering by their customers on various States' racing, which amounted to \$7.273M in FY16") and page 8.

² <http://www.treasury.sa.gov.au/economy/gambling-regulation/regulatory-documents>

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bookmakers for the right to use their racing information, and that these fees are often referred to as "race field information fees".

TRSA's 2016 financial performance

16. TRSA's most recent financial performance is recorded in TRSA's 2016 Annual Report (at Exhibit JW-1 Tab 3). FY16 revenue is up 4.2% from \$52,744,253 in FY15 to \$54,946,952 in FY16. However, TRSA's 2016 net profit results are down from a profit of \$1,815,678 in FY15 to a loss of (\$43,160) in FY16.
17. In FY 16, 97.4% of TRSA's revenue was derived from wagering, including:
- (a) 49.8% or \$27,359,360 from TAB Product Fees. This represents a 2.6% decrease from FY 15: Exhibit JW-1 Tab 3, also see Schedule 1, which illustrates the decline in TAB Product Fees which TRSA has received from FY 08/09;
 - (b) 35.3% or \$19,417,699 from net Betting Operations Contributions from interstate wagering operators wagering on South Australian thoroughbred racing. This represents an 18.7% increase from FY 15: Exhibit JW-1 Tab 3;
 - (c) 9.8% or \$5,366,273 from Wagering Tax Relief. This represents a 3% decrease from FY15: Exhibit JW-1 Tab 3; and
 - (d) 2.5% or \$1,423,931 from Screening and International Rights. This represents a 11.5% decrease from FY 15: Exhibit JW-1 Tab 3;
18. In the 2016 Annual Report (see Exhibit JW-1 Tab 3), I noted that:
- "A major contribution to TRSA's improved financial position over recent years has been the continued substantial growth in the income received from interstate wagering operators by way of BOC (referred to in other States as "Race Fields").*
- As a small State in terms of population, it is vital if the racing industry is to survive and flourish in South Australia, that we remain relevant and attractive to the wider Australian community as a viable option for their wagering activity. Wagering by South Australians alone is not sufficient to sustain, let alone grow, the South Australian racing industry.*
- TRSA has developed a BOC model which we consider clearly maximises the industry's returns from interstate wagering operators to help sustain the South Australian racing industry, and the employment and financial benefits it provides in the State...*
- Virtually all of the growth in TRSA's Revenue in FY16 has come from BOC, with the net BOC revenue amount having increased by \$3.065M (18.7%) to \$19.418M."*
19. While FY 16 revenue is up 4.2% from FY 15, expenses also increased by 8% from \$50,928,575 in FY 15 to \$54,990,112 in FY 16. Of this increase:
- (a) 64.6% is attributable to increases in prizemoney (from \$35,233,053 in FY 15 to \$37,860,035 in FY 16);
 - (b) 18.9% is attributable to increases in industry payments, excluding prizemoney (from \$8,977,086 in FY 15 to \$9,746,807 in FY 16), including:

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- (i) a 24% increase in payments for club promotion and operational costs;
 - (ii) a 13.6% increase in club capital expenditure;
 - (iii) a 4% increase in training grants and race day grants to participants;
 - (iv) a 3.8% increase in race day payments to participants.
- (c) 8.5% is attributable to increases in employee costs (from \$3,350,557 in FY 15 to \$3,699,259 in FY 16); and
 - (d) 8% is attributable to increases in miscellaneous items including depreciation, professional fees, advertising and marketing, veterinary supplies and publication expenses.

20. Changes in prize money during FY 16 represented TRSA's largest expenditure increase for the financial year 2016. While the Board will determine how TRSA's revenue will be distributed for the remaining months of FY 17, I believe that prizemoney in FY 17 will be up on FY 16. In this regard, I noted in the 2016 Annual Report (at Exhibit JW-1 Tab 3):

"While for several seasons the majority of additional revenue generated was channelled into additional prizemoney, the Board for the past two seasons has increased the focus on providing additional funding to Clubs...[however] we continue to face pressure as to how we distribute the funding we generate from our racing, whether it be to owners, trainers and jockeys through prize money, or Clubs who provide the tracks and training facilities upon which we race and train."

TRSA's key challenges for the future

21. At the current time, I believe the key challenges for TRSA include the need for TRSA to implement welfare and integrity programs, provide higher returns to industry participants, and improve aging race club facilities. In this regard, I noted in the 2016 Annual Report:

"There are growing demands and expectations from our customers and the wider community, in terms of vision, welfare and integrity, all of which requires greater expenditure to produce and ensure compliance in meeting the expectations."

The TRSA Board continues to focus on providing maximum returns to the industry's participants from the revenue generated. This includes, the Clubs who provide the event, the owners who race their horses at each of our race meetings, and all of those who receive their livelihood from racing, more directly so with trainers and their employees, along with the rider group.

As has been highlighted on numerous occasions, while TRSA now directly pays for the bulk of raceday costs, Clubs continue to face increasing costs in maintaining and providing "racing's stage" for raceday, as well as training facilities.

... the Board for the past two seasons has increased the focus on providing additional funding to Clubs by way of Operational and Capital grants. In FY16, grants towards Club Promotion and Operational purposes rose by \$434K (31.6%) while grants for Club Capital and WHS Expenditure increased by \$270K (15.8%). 68.9% of TRSA's Revenue is still distributed by way of Prize Money, and represents 68.8% of total Expenses, with 17.73% of our Revenue distributed through Industry Payments. [TRSA also] increased Prize Money of \$2.627M (7.5%)."

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SECTION B - THE TATTS / TABCORP TRANSACTION

22. I have had regard to the publicly available Tabcorp / Tatts presentation dated 19 October 2016. I have read pages 8 and 14 of the Tatts / Tabcorp presentation, titled "*Significant synergies to be generated from the combination*" and "*Enhancing the customer offering*". I note the merger parties' view that the Transaction will provide the merged firm with a better platform to compete with corporate bookmakers.

Potential benefits of the merger for TRSA

23. I believe that the merger has the potential to bring about significant benefits for TRSA and the South Australian thoroughbred racing industry, because:
- (a) Tabcorp proposes to use the merger to increase the wagering revenue of UBET in South Australia;
 - (b) an increase in wagering with UBET SA is likely to benefit TRSA by way of increases in the TAB Product Fees it receives. As discussed in paragraph [15], this is because:
 - (i) 39% of UBET SA's net wagering revenue, less race field fees payable to interstate and international racing operators and other confidential items, is received by Racing SA in the form of TAB Product Fees;
 - (ii) a fixed fee of 6% of UBET SA's net wagering revenue on racing is received by Racing SA in the form of Wagering Tax Relief; and
 - (iii) TRSA receives a share of the net wagering revenue received by Racing SA.
24. As I noted in paragraph [17], about half of TRSA's current funding comes from the TAB Product Fees we receive from UBET SA (via Racing SA).
25. TRSA faces some funding challenges - as noted in TRSA's Strategic Plan (at Exhibit JW-1 Tab 1) "*changing consumer wagering behaviour is challenging traditional wagering revenue streams*". This is a reference to the change of consumers betting on the tote with UBET SA and shifting to betting with other operators from whom TRSA does not receive the same level of income.
26. Since FY 09/10 TRSA's gross and net Betting Operations Contributions have grown, whereas TAB Product Fees has declined: see **Schedules 1, 2 and 3** which contain data from TRSA's Annual Reports and which set out TRSA's annual TAB Product Fees, gross Betting Operations Contributions and net Betting Operations Contributions respectively since FY 09/10.
27. The terms of TRSA's agreements with corporate bookmakers in respect of Betting Operations Contributions are confidential. However, if a South Australian punter places a bet with a corporate bookmaker, that bet is of less benefit to TRSA than if that same bet had been placed with UBET SA. I described this in TRSA's 2010 and 2011 Annual Reports in which I noted:
- (a) "*The income to the South Australian thoroughbred racing industry from each \$100 wager on a South Australia race is approximately \$4.30, (if placed with UBET SA) compared to 70 cents if placed with a corporate bookmaker or another State's TAB*": at Exhibit JW-1 Tab 4; and

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- (b) *"The return of \$1 to the South Australian racing industry is over five times more from the SA TAB than if placed with a corporate bookmaker or another State's TAB": at Exhibit JW-1 Tab 5.*
28. If the merger provides Tabcorp with a better platform to deliver an increase in totalisator wagering with UBET SA then TRSA will benefit to a greater extent, than if the betting on the tote continues to decline.
29. I also add that:
- (a) there has been a shift in punting from totalisator wagering to fixed odds betting in South Australia and, over the same period, there has been a decline in TAB Product Fees and a growth in Betting Operations Contributions;
- (b) TRSA's 2010 and 2011 Annual Reports reported that corporate bookmakers deliver a lower return to the South Australian thoroughbred racing industry per wagering dollar spent by punters than UBET SA totalisator wagering;
- (c) I recognise that TRSA receives valuable Betting Operations Contributions from corporate bookmakers in respect of betting by South Australian residents and I regard that revenue as important to TRSA; and
- (d) if the shift from UBET SA totalisator betting to betting with corporate bookmakers continues or accelerates, I am concerned that TRSA's total revenue will decline because:
- (i) corporate bookmakers deliver a lower return to industry per wagering dollar spent by punters than totalisator wagering with UBET SA; and consequently
- (ii) any decrease in TAB Product Fees and Wagering Tax Relief will only be partially offset by any increase in Betting Operation Contributions.
30. I have not had a detailed opportunity to consider and test the way in which Tabcorp suggests that it will be in a position to increase wagering from South Australian residents if it acquires control of UBET SA. However my view is that it is plausible to anticipate that Tabcorp will be able to achieve some increases in wagering revenue in South Australia. This is based on my assessment that Tabcorp has some improved products to offer compared to UBET SA, for example:
- (a) Tabcorp's mobile betting apps which allow punters to more easily bet on totes; and
- (b) Tabcorp's greater variety of totalisator products, that I expect will be available to South Australian punters if the proposed merger is successful, including:
- (i) jackpots or guaranteed minimum pools;
- (ii) six-race jackpot betting ("Big6") which allows customers to select the winners of a combination of six races from different meetings and across all racing codes; and
- (iii) the 'early Quaddie', which allows customers to place Quaddie bets on (typically) the first four races of the day, as well as on the last four races of the day.

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31. The Tabcorp/Tatts investor presentation states (at Exhibit JW-1 Tab 6) that the proposed merger provides a pathway to national pooling for totalisator wagering. I agree with this statement. Any national pool, or merger of existing pools, would be of benefit to racing generally in South Australia as a deeper and more liquid pool or pools mean more reliable and stable odds for punters and increased punter certainty and confidence to wager with a totalisator, rather than a corporate bookmaker offering fixed odds products. This is important:
- (a) for attracting larger punters who want to access greater liquidity to maximise potential winnings relative to risk and probability of a particular outcome occurring; and
 - (b) for smaller jurisdictions like South Australia where the totalisator tends to have smaller pools because the type and quality of races offered and the betting population is not large enough to sustain a larger pool.

How TRSA would apply additional revenue

32. Should additional revenue be made available to TRSA the Board of TRSA will determine how these funds are expended. However my view, at the current time, is that these funds could be directed towards increasing current funding to the following:
- (a) welfare and integrity programs;
 - (b) additional prize money for racing participants; and
 - (c) repair and maintenance at racing tracks.
33. In this regard, I noted in the 2016 Annual Report:

"There are growing demands and expectations from our customers and the wider community, in terms of vision, welfare and integrity, all of which requires greater expenditure to produce and ensure compliance in meeting the expectations. Regardless of whether it provides revenue growth. The racing industry is always under the scrutiny of various animal welfare groups, across a wide range of racing activities. However as passionate supporters of thoroughbred racing and the thoroughbred itself, no-one is more supportive of horse welfare than the racing industry itself.

We continue to face pressure as to how we distribute the funding we generate from our racing, whether it be to owners, trainers and jockeys through prize money, or Clubs who provide the tracks and training facilities upon which we race and train. The South Australian racing industry needs a substantial boost financially, to enable us to address a number of matters with our aging facilities in many areas, while still providing adequate returns to participants who derive their livelihood from the racing industry."

Potential effect of the merger on TRSA's media rights for racing vision

34. I consider broadcasting of TRSA's racing vision to be absolutely critical for the code. Broadcast racing vision allows more off course punters to watch thoroughbred races, which increases overall wagering activity that then flows through to TRSA by way of TAB Product Fees (as I explain in paragraph [15(a)] above) and BOC.
35. Tabcorp, via Sky Racing, currently holds exclusive rights to broadcast racing vision for all South Australian thoroughbred races in Australia (including digital) and to market the

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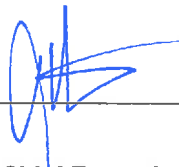
Thoroughbred Code's races/vision internationally. That Sky Racing contract expires in July this year. TRSA is currently assessing bids to acquire the media rights to our racing content. In this current process, Tatts/UBET has not sought to acquire media rights from TRSA and, to the best of my knowledge, Tatts has never made an attempt to purchase TRSA's media rights. As well as Sky Racing, *Racing.com* is seeking to acquire our media rights (*Racing.com* offers free to air broadcast through the Seven Network as well as digital streaming) and TRSA has received offers from corporate bookmakers to acquire TRSA's digital rights only.

36. Because I do not see Tatts/UBET as a competitor to acquire our media rights, I would not expect that the merger would affect competition to acquire media rights from TRSA. Nor do I expect that Tabcorp/Sky Racing would operate any differently in respect of TRSA's media rights than it does today. I expect Sky Racing would still want to broadcast South Australian thoroughbred racing vision in wagering outlets across Australia to generate income for its business and I expect Sky Racing would want to have access to South Australian racing vision, irrespective of who acquires the rights directly from TRSA. It is important for our racing industry in South Australia that, regardless of the outcome of the current assessment of bids for TRSA's media rights, Sky Racing continues to broadcast South Australian thoroughbred racing vision on its premium wagering channel. The benefit of any merger would be eroded unless Sky continued to do so.

Potential benefits of the merger for South Australia

37. I believe that the merger has the potential to benefit South Australia to the extent that it has the potential to provide additional funding to TRSA and improves TRSA's capacity to provide for:
- (a) the social and community based activities discussed in the Economic Study;
 - (b) welfare and integrity programs, prize money for racing participants, repair and maintenance projects and major products referred to in paragraphs [32]-[33]; and
 - (c) the development of the thoroughbred racing product in South Australia, improve TRSA's capacity to attract new local and interstate patrons and punters and consequently increase in the contribution which the thoroughbred racing industry in South Australia currently makes to South Australia's gross state product (see paragraph [14] above).

Signature



Date

28/2/17

Jim Watters, Chief Executive Officer, Thoroughbred Racing SA Ltd

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Schedule 1: TAB Product Fees received by TRSA

Financial Year	TAB Product Fees received by TRSA	% of Total TRSA Revenue
09/10	\$29,116,335	71.3%
10/11	\$29,806,844	67.2%
11/12	\$30,501,112	66.1%
12/13	\$27,683,675	57%
13/14	\$27,697,491	56.7%
14/15	\$28,089,605	53.3%
15/16	\$27,359,360	49.8%

Schedule 2: Gross Betting Operations Contributions received by TRSA

Financial Year	Gross Betting Operations Contributions received by TRSA	% of Total TRSA Revenue
09/10	\$13,238,319	32.4%
10/11	\$11,814,261	26.7%
11/12	\$12,234,758	26.5%
12/13	\$15,770,118	32.5%
13/14	\$16,323,412	33.4%
14/15	\$23,732,710	44.9%
15/16	\$26,691,244	48.9%

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 Ref 187/80165551

Schedule 3: Net Betting Operations Contributions received by TRSA

Financial Year	Net Betting Operations Contributions received by TRSA	% of Total TRSA Revenue
09/10	\$4,638,319	11.4%
10/11	\$5,614,261	12.7%
11/12	\$5,434,758	11.8%
12/13	\$9,970,118	20.5%
13/14	\$10,273,412	21.0%
14/15	\$16,352,710	31.0%
15/16	\$19,417,699	35.3%

Filed on behalf of Tatts Group Limited
Prepared by Michael Corrigan
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CLAYTON UTZ

IN THE AUSTRALIAN COMPETITION TRIBUNAL

TABCORP LIMITED

ACT of 2017

RE: PROPOSED ACQUISITION OF TATTS GROUP LIMITED BY TABCORP HOLDINGS LIMITED

EXHIBIT CERTIFICATE

This is the exhibit marked "**JW-1**" to the statement of **JAMES WATTERS** dated **24 February 2017**.

Exhibit JW-1

Filed on behalf of Tatts Group Limited
Prepared by Michael Corrigan
Clayton Utz

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Ref 187/80165551

Tab	Document Description	Document ID
1.	Strategic Plan 2013-2016	TAT.001.024.0001
2.	Report on the economic, social and community benefits of the South Australian Racing Industry	TAT.001.023.0036
3.	Thoroughbred Racing SA Annual Report 2016	TAT.001.024.0091
4.	Thoroughbred Racing SA Annual Report 2010	TAT.001.024.0143
5.	Thoroughbred Racing SA Annual Report 2011	TAT.001.024.0192
6.	Tabcorp/Tatts Presentation dated 19 October 2016	TAT.001.023.0254
7.	Thoroughbred Racing SA Annual Report 2013	TAT.001.027.0118

*Economic, Social and
Community Benefits of the*

SOUTH AUSTRALIAN RACING INDUSTRY



Prepared by IER / June 2013



EXECUTIVE SUMMARY

The impact of the racing industry extends well beyond that seen on the racetrack. It is an integral part of the sporting life, cultural traditions and – importantly – the economy of South Australia.

Racing cannot simply or neatly be 'pigeon-holed' in descriptive terms. It is an industry that makes a significant contribution to the economy; while also constituting a key aspect of the state's social fabric, both on a metropolitan and regional basis.

The South Australian racing industry is:

- + An exciting and strongly supported sport;
- + A focus in many regional communities throughout the state;
- + A major employer in South Australia; and
- + A significant contributor to the state's economy.

As an economic contributor, the South Australian racing industry:

- + Generates \$401.7m per annum in economic benefits for South Australia;
- + Sustains the employment of 3,628 South Australians;
- + Provides \$224m per annum in household income;
- + Generates GST of \$19m per annum; and
- + Generates \$303m per annum in direct expenditure, with more than 40% of this expenditure occurring in regional areas.



Racing is an integral aspect of local communities throughout South Australia.

- Racing in South Australia is second only to the AFL in terms of attendance at events with 515,264 attending racing in 2011-12;
- There are 13,852 Members and Members' Guests of racing clubs throughout South Australia;
- The South Australian racing industry engages more than 1,240 volunteers;
- There are 42 racing clubs operating from 38 racetracks throughout South Australia, with 6,752 races run each year at 773 race meetings; and
- 161 charities and community organisations are assisted by racing clubs in South Australia every year.

The three codes of racing – thoroughbreds, greyhound and harness – connect directly with South Australians across:

- One in every 80 South Australian adult residents are employed in, or participate in, the South Australian racing industry;
- There are more than 9,500 owners connected with racing, and 5,315 horses and greyhounds being trained by 1,125 trainers;
- 737 breeders are involved in the production of 1,387 foals and pups each year.

Measurable facts and data are essential for sound decision making. The three racing codes in South Australia considered it important to commission an authoritative contemporary assessment of the industry's economic and social impact in this state.

IER, a leading and respected strategic consulting business specialising in the tourism, events and entertainment industries, was commissioned in 2012 and completed this report on the South Australian racing industry in May 2013: "Economic, Social and Community Benefits of the South Australian Racing Industry". IER has completed similar studies for the Western Australian, Queensland, Country Victoria and New Zealand racing industries.

This report provides a detailed analysis of the racing industry in South Australia and reinforces the industry's contention as to the justification of ongoing Government support. It provides a comprehensive overview of the wide range of sectors involved in the racing industry, and serves as a primary reference for those making decisions that will impact the future of the local industry.

The racing industry should be recognised by the state Government as the important industry and community asset it undoubtedly is.

For the South Australian racing industry to survive and ultimately flourish, we believe it is essential that Government provides a level of support commensurate with the commitment it demonstrates towards other similarly vital sectors of the economy.

In the face of growing competition from interstate, underpinned by assistance and recognition from respective Governments in those jurisdictions, the South Australian racing industry will inevitably become a less competitive and sustainable industry in the absence of meaningful State Government support.

Thoroughbred Racing SA | Greyhound Racing SA | Harness Racing SA



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05



05 ECONOMIC, SOCIAL AND COMMUNITY BENEFITS OF THE SOUTHERN AUSTRALIAN RACING INDUSTRY

HERPESULTS

The South Australian Racing Industry is responsible for generating more than \$400 million in economic benefits to the state of South Australia per annum. The activities of the racing industry sustain the employment of more than 3,600 South Australians

Economic Value

TOTAL VALUE-ADDED BY RACING	\$401.7 MIL
FULL-TIME EQUIVALENT EMPLOYMENT	3,628
HOUSEHOLD INCOME GENERATED	\$224 MIL
GOODS AND SERVICES TAX GENERATED	\$19.0 MIL

KEY RESULTS AT A GLANCE

*Racing in South Australia is the second highest attended sport in the state (behind the AFL)**

Attendances

ATTENDANCES	515,264
ATTENDANCES (INDIVIDUALS)*	181,400
MEMBERS	7,363
MEMBERS GUESTS	6,489

*Source: ABS Catalogue 4174.0 2009-10

Across the State, one in every 80 South Australian adult residents participate or are employed in the South Australian Racing Industry. The Adelaide Region is responsible for almost half of this number (7,720 people), which equates to 1 in every 116 adult residents in the region

Participants 2011/12

PARTICIPANTS IN PRODUCING HORSES AND GREYHOUNDS	12,693
PARTICIPANTS IN PRODUCING THE RACEDAY PRODUCT	2,748

The South Australian Racing Industry generates more than \$303 million in direct expenditure per annum. Over 40% of this expenditure occurs in regional areas

Expenditure

PRODUCTION OF RACING ANIMALS	\$27.18 MIL
PREPARATION OF RACING ANIMALS	\$94.87 MIL
WAGERING REVENUES & PRODUCT FEES	\$116.40 MIL
RACEDAY CUSTOMER SPEND (ON-COURSE)	\$14.90 MIL
RACEDAY CUSTOMER SPEND (OFF-COURSE)	\$21.57 MIL
NON-RACEDAY CUSTOMER SPEND	\$28.09 MIL
TOTAL	\$303.01 MIL

The South Australian Racing Industry engages more than 1,240 volunteers and assists over 160 charitable organisations

Social Impacts

- CHARITIES ASSISTED BY RACING CLUBS 161
- COMMUNITY ORGANISATIONS SHARING FACILITIES WITH RACING CLUBS 62
- VOLUNTEERS WHO ARE ENGAGED IN THE RACING INDUSTRY 1,243
- RACING CLUBS THAT OFFER SERVICES FOR FAMILIES 96%

The production (\$27.2 mil) and preparation (\$94.9 mil) of horses and greyhounds is responsible for generating total expenditure of more than \$122 million in South Australia per annum

Horses and greyhounds

- NUMBER OF FOALS & PUPS BRED PER YEAR 1,387
- NUMBER OF HORSES AND GREYHOUNDS IN TRAINING 5,315

There is an average of two race meetings every day in South Australia, providing entertainment and employment for South Australian residents

Racing Clubs

- NUMBER OF RACING CLUBS 42
- NUMBER OF RACETRACKS 39
- NUMBER OF RACE MEETINGS 773
- NUMBER OF RACES 6,752

Total wagering turnover placed on the South Australian racing through the SA TAB exceeds \$117 million per annum

Wagering

- TOTAL WAGERING TURNOVER PLACED ON SA RACING \$117.2 MIL
- NET WAGERING REVENUE (SA TAB) \$106.8 MIL
- RACING INDUSTRY SHARE OF WAGERING REVENUE (SA TAB) \$37.9 MIL

RACING CLUBS IN SOUTH AUSTRALIA

THOROUGHBRED CLUBS

+ ADELAIDE

Gawler
Morphettville

+ EYRE

Ceduna
Kimba
Lock

Penong

Port Lincoln

Streaky Bay

+ MURRAYLANDS

Mindarie-Halidon
Murray Bridge

+ NORTHERN

Hawker

Jamestown

Quorn

Roxby Downs

Port Augusta

+ OUTER ADELAIDE

Kangaroo Island

Oakbank

Strathalbyn

+ SOUTH EAST

Bordertown

Millicent

Mount Gambier

Naracoorte

Penola

+ YORKE AND

LOWER NORTH

Balaklava

Clare Valley

GREYHOUND CLUBS

+ ADELAIDE

Angle Park
Gawler

+ NORTHERN

Virginia

+ OUTER ADELAIDE

Strathalbyn

+ SOUTH EAST

Mount Gambier

HARNESS CLUBS

+ ADELAIDE

Gawler
Globe Derby Park

+ EYRE

Franklin Harbor

+ NORTHERN

Port Pirie

Whyalla

+ OUTER ADELAIDE

Kapunda

Port Augusta

Strathalbyn

Victor Harbor

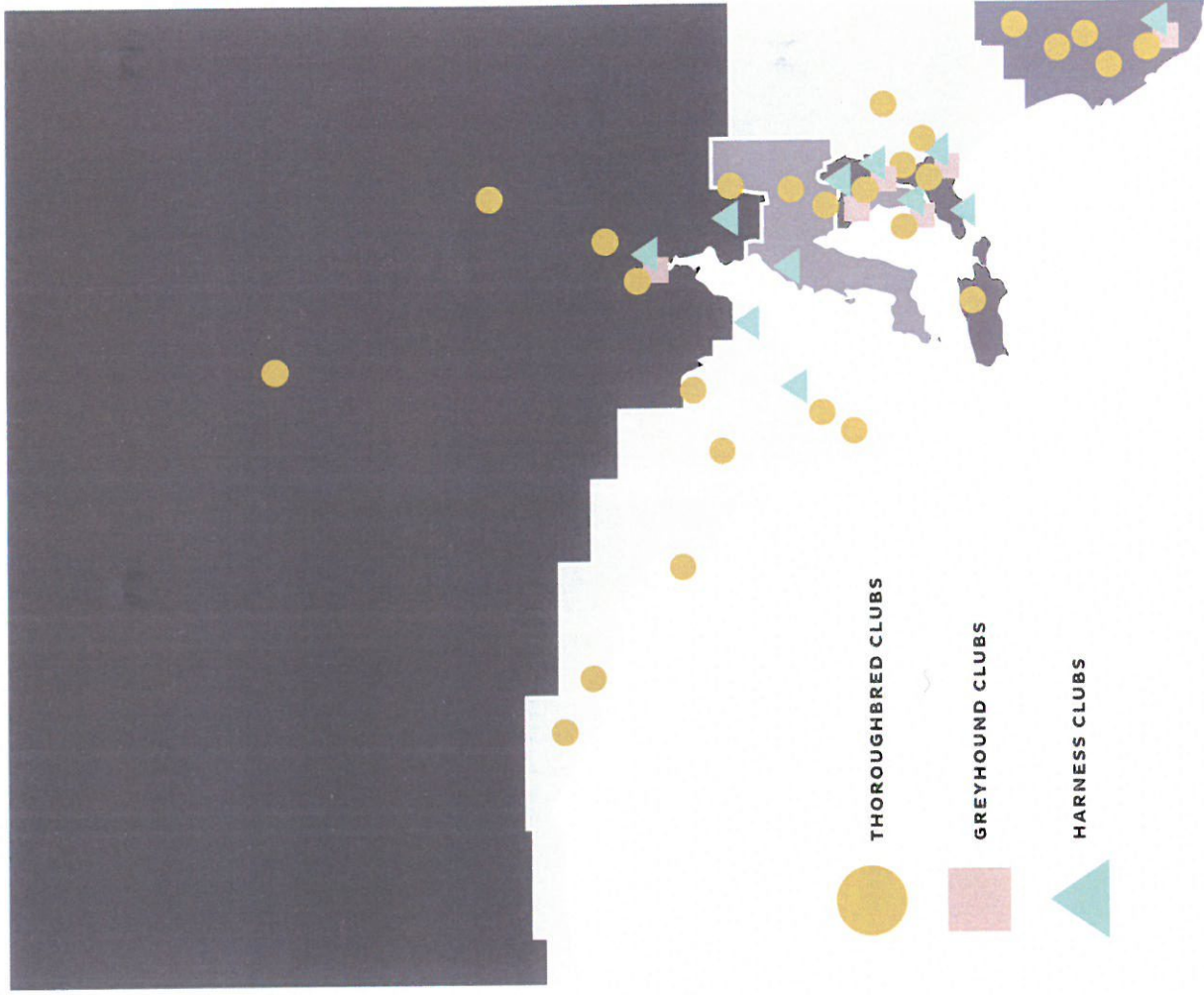
+ SOUTH EAST

Mount Gambier

+ YORKE AND

LOWER NORTH

Kadina

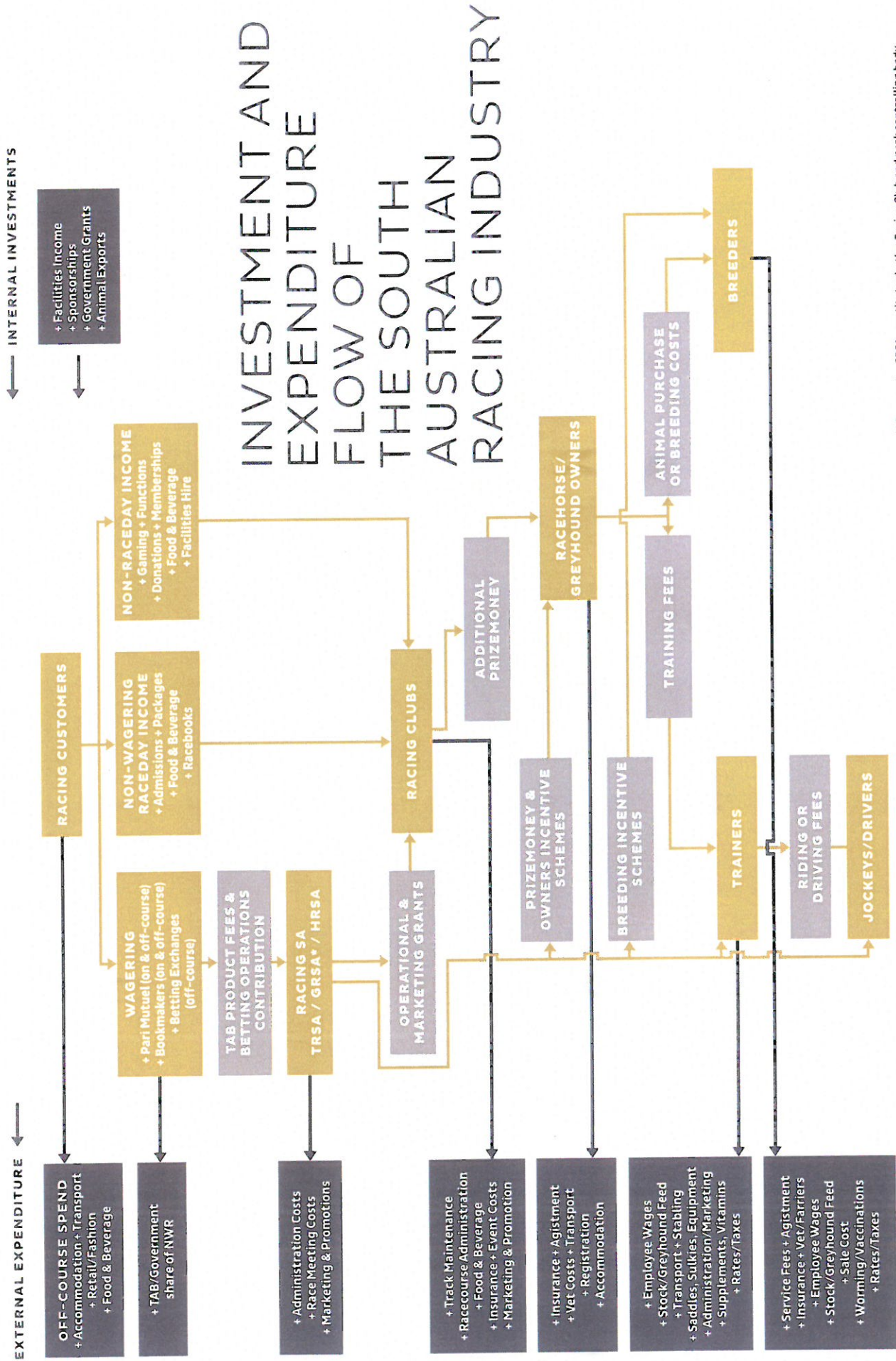


THOROUGHBRED CLUBS

GREYHOUND CLUBS

HARNESS CLUBS





* Please note: GRSA constitutes both a Racing Club and peak controlling body

The South Australian Racing Industry is responsible for generating more than \$400 million in value-added contribution to Gross State Product.

OVERVIEW OF KEY RESULTS

DIRECT SPENDING IMPACTS

	Thoroughbred	Greyhound	Harness	Total
Spent on producing foals & pups	\$21.76mil	\$2.40mil	\$3.01mil	\$27.17mil
Spent on preparing racehorses & greyhounds	\$56.71mil	\$0.22mil	\$46.93mil	\$103.86mil
Total Direct Expenditure ¹	\$78.67mil	\$2.62mil	\$50.94mil	\$132.23mil

In 2011/12, the South Australian Racing Industry generated direct expenditure of more than \$303 million. Revenue from wagering activities (wagering revenues and product fees) contributed the highest proportion (\$116.4mil) or 38.4% of total expenditure.

The racing industry in South Australia contributes more than \$143.3 million in direct value-added contribution to Gross State Product. When flow on impacts are added, this impact rises to just over \$400 million (gross value-added). This represents an increase of 46.6% when compared to the 2002/03 study on the South Australian Racing Industry.

The economic output generated by the racing industry in South Australia is responsible for sustaining 3,628 full-time equivalent jobs in the state.

The South Australian Racing Industry was responsible for generating \$224 million in Household Income. This represents the wages and salaries component of gross value-added.

The goods and services tax (GST) generated by the racing industry in South Australia represents 6.26% of direct expenditure - close to \$19 million.

ECONOMIC IMPACTS

	Thoroughbred	Greyhound	Harness	Total
Value Added ²	\$280.24 mil	\$45.41 mil	\$76.07 mil	\$401.7 mil
% of Industry Value Added	69.8%	11.3 %	18.9%	100%
FTE Employment	2,543 FTE	404 FTE	681 FTE	3,628 FTE

¹ Direct expenditure is defined as expenditure associated with producing foals & pups (breeding & rearing), preparing racehorses and greyhounds (training), wagering related revenues, racing customer expenditure and non-raceday revenues.

² Value-added is defined as the value of sales less the value of inputs used in production. That is, equal to the income (wages, salaries and profits) generated in production.

At a glance

737 Breeders
THOROUGHBRED 386
GREYHOUND 157
HARNESSES 194

**1,387 Foals and
Pups Produced**
THOROUGHBRED 635
GREYHOUND 593
HARNESSES 159

9,533 Owners
THOROUGHBRED 4,179
GREYHOUND 3,065
HARNESSES 2,289

1,125 Trainers
THOROUGHBRED 316
GREYHOUND 465
HARNESSES 344

**5,315 Horses
and Greyhounds
in Training**

THOROUGHBRED 2,554
GREYHOUND 1,417
HARNESSES 1,344

**122 Jockeys, Drivers
and Apprentices**
THOROUGHBRED 65
HARNESSES 57

*Close to 15,500
people participate
directly within
the racing industry
in South Australia
-- approximately
1 in every 80
adult residents.*

Close to 15,500 people are directly involved in the racing industry in one form or another. These include paid employees, racing participants and volunteers.

More than 49% of these participants are in the Adelaide region, with a further 17.7% in the Outer Adelaide region.

Of the 2,565 people filling roles at Racing Clubs (including raceday operations staff), more than 1,240 provide their time and skills in a voluntary capacity. These volunteers are often the backbone of Racing Clubs and the engine-room of race meetings in regional areas. They also form an important link between the Club and their communities.

Many of the participants involved in the production and preparation of racing animals have specialised skills. For many of these participants, employment in these roles are sustained by the critical mass of activity generated by the racing industry.

Across the whole of South Australia, the 15,520 people who have a participation involvement in the racing industry represent approximately 1 in 79 adult residents.



At a glance

42 Racing Clubs

THOROUGHBRED 25
GREYHOUND 6
HARNESS 11

773 Race Meetings

THOROUGHBRED 193
GREYHOUND 354
HARNESS 226

6,752 Races

THOROUGHBRED 1,514
GREYHOUND 3,552
HARNESS 1,686

7,363 Racing Club Members

THOROUGHBRED 5,834
GREYHOUND 514
HARNESS 1,015

515,264 Attendances

THOROUGHBRED 367,938
GREYHOUND 42,526
HARNESS 104,800

More than 515,000 attendances were recorded at thoroughbred, greyhound and harness race meetings in 2011/12. Furthermore, in excess of 7,300 individuals have memberships with South Australian Racing Clubs.

More than 55% of attendances are at race meetings across the three codes in the Adelaide region. A further 23% of attendances are in the Outer Adelaide region.

The 42 racing clubs not only provide an entertainment pursuit for racegoers, they also play an important role in providing owners and trainers with the opportunity to race their racehorses and greyhounds.

Racing customers are responsible for generating more than \$36 million in spending – more than 59% of which occurs outside the racecourse. From the spending data and surveys received, IER estimates that for every dollar spent on-course by racing customers, a further \$1.45 is spent off-course. Retail, fashion, food and accommodation are prominently represented within this expenditure.

\$14.9 mil Raceday Customer Spending On-Course

THOROUGHBRED \$12.88 MIL
GREYHOUND \$1.17 MIL
HARNESS \$0.85 MIL

\$21.6 mil Raceday Customer Spending Off-Course

THOROUGHBRED \$19.47 MIL
GREYHOUND \$0.44 MIL
HARNESS \$1.66 MIL



AT A GLANCE - SOCIAL & COMMUNITY IMPACTS

Racing in South Australia is not only a sport, leisure and entertainment pursuit, it also plays an important role in the social dimensions of the communities in which it is conducted.

In addition to the entertainment and participation opportunities provided, the industry also generates community and social benefits, particularly in the areas of Community Building, Education and Training, Health, Leisure and the Environment.

The survey results highlighted the following positive outcomes demonstrated at Clubs:

COMMUNITY BUILDING

- + Over 160 community organisations or charities are assisted financially by Racing Clubs, whilst over 60 community organisations share Racing Club facilities and resources
- + Just over 80% of Racing Clubs across South Australia have engaged with community organisations to provide financial assistance
- + Racing Clubs currently engage close to 1,250 volunteers
- + More than 7,360 Members belong to their Racing Clubs with a further 6,489 Member guests available to attend race meetings with Members

SUPPORTING FAMILY RELATIONSHIPS

- + Over 96% of Clubs offer attractions or services that support attendance by children
- + Over one-third of Clubs offer special discounts for family group attendance, with most Clubs offering free entry for children

HISTORY & HERITAGE

- + Close to 60% of Racing Clubs throughout South Australia actively promote the history and heritage elements of their Club

EDUCATION & TRAINING

- + On average, each Club has two members of staff participating in further education, career development and training programs each year
- + 18% of Clubs have partnerships with primary, secondary, trade and tertiary institutions
- + A quarter of clubs (26%) have placements available for work experience students at their Racing Clubs

PROMOTING HEALTH ON-TRACK

- + Over 92% of Racing Clubs provide healthy choice options for both racing participants and customers
- + Clubs have policies and practices in place to encourage responsible consumption of alcohol

ENVIRONMENTAL AWARENESS

- + Over 50% of Clubs have policies in place to save water and re-use or recycle water
- + Over 54% of Clubs have programs in place to reduce or re-use resources and recycle waste
- + One in four Clubs (25%) have policies and programs to develop native flora and fauna
- + A number of Clubs have developed wetlands areas and regeneration of natural vegetation to allow native flora and fauna to grow

ECONOMIC IMPACTS

This study aims to determine the extent to which the South Australian racing industry contributes to the state economy. To that end, the study is concerned mostly with calculating the expenditure within the state and its subsequent direct and indirect impact on the South Australian economy. The calculation of economic impacts as identified in this study, is predicated on determining the value of direct (or final) expenditure within the state.

Consider prizemoney by way of example. It is largely sourced from net wagering revenues, it flows to trainers, owners and jockeys/drivers and, depending on the origins of the winning connections, may or may not eventually settle in South Australia. We know however that trainers and owners spend money in South Australia in producing and preparing racehorses and greyhounds. As such, the cost of producing and preparing racehorses in South Australia represents a more appropriate final expenditure (rather than prizemoney) on which to base the economic impact calculation. Prizemoney has not been included in the calculation of final expenditure as it has been captured in other parts of the racing industry's financial model.

In 2011/12, the racing industry in South Australia generated more than \$303.0 million in direct expenditure. Some of this spending occurs on consumption items within the racing industry and as such does not directly enter the value-added calculation.

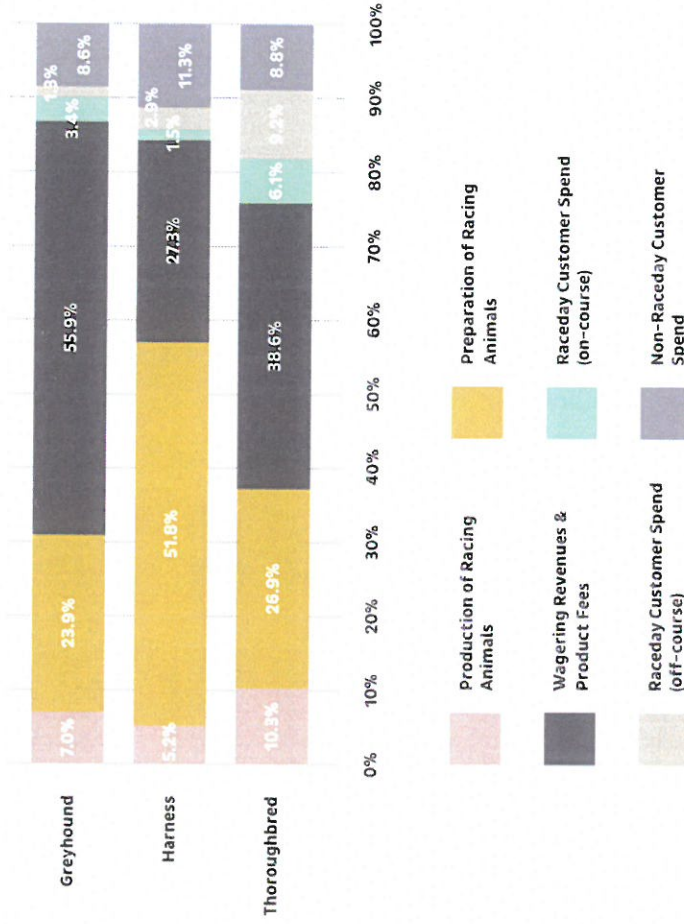
Revenues generated by wagering are the most significant driver of customer expenditure, comprising more than 38%. In particular, 55.9% of the expenditure generated by the greyhound racing industry is sourced from wagering activity. Additionally, the preparation (training) of racehorses in the thoroughbred and harness racing industries comprises 26.9% and 51.8% of the respective expenditure impacts.

Each of the main areas of expenditure (below) are defined as follows:

- Producing Animals** – includes all expenditure on the production of foals and pups, the maintenance of sires and broodmares/broodbitches and the preparation of yearlings/greyhounds for sale
- Preparing Animals** – includes all expenditure on the breaking-in and training of racehorses/greyhounds (including spelling)
- Wagering Revenues & Product Fees** – includes net wagering revenues from totalisator turnover and share of product fees
- Raceday Customer Spend (on-course)** – includes all expenditure generated from on-course activities (raceday only) such as sponsorship, catering, admission and raceday functions. It does not include wagering as this is covered in 'wagering revenues and product fees'
- Raceday Customer Spend (off-course)** – includes all expenditure generated outside the racecourse as part of attending the races. This includes transport, accommodation, retail etc.
- Non-Raceday Customer Spend** – includes spending on non-raceday functions, facility hire, membership and at other venues associated with the racing industry

The chart to the right illustrates the proportional breakdown of direct expenditure within South Australia.

PROPORTIONAL EXPENDITURE BY CODE



16

The Thoroughbred Racing Industry is responsible for more than \$210 million (69.6%) of this recurrent expenditure. Revenue from wagering activities (38.6%) and the preparation of racehorses (26.9%) make up the largest component of its expenditure impact.

The Harness Racing Industry is responsible for more than \$57 million (19.1%) of this recurrent expenditure. The preparation of racehorses (51.8%) makes up the largest proportional component of expenditure. The relatively small amounts of expenditure generated by raceday customers and breeders in this industry are the main reasons for the large proportional representation of expenditure on the preparation of racehorses.

The Greyhound Racing Industry is responsible for more than \$34.5 million (11.4%) of this recurrent expenditure. Revenue from wagering activities (55.9%) makes up the largest component of its expenditure impact.

DISTRIBUTION TO REGIONS

The direct expenditure has been allocated to regions across South Australia. The level of economic activity will not proportionally follow the expenditure, as regional areas generally have higher import penetrations than metropolitan areas. That is, a proportion of the expenditure is on product imported from the metropolitan area. Within this study we have employed a 'top-down' distribution that recognises that where regional input-output tables exist, direct industry ratios of value-added, employment etc. are generally similar between the state and sub-regional table, but regionally induced impacts are on average in the order of 50% of the state-induced impacts. This will vary from industry sector to industry sector, and from region to region, but this observation has been used as a basis for distributing the state level impacts to regions. That is, the direct impacts have been distributed proportionally, while the induced impacts have been distributed with a 50% discount, and the balance is distributed to the metropolitan area. In summary, the impact at the regional level is about 40% of the state impact in terms of the expenditure and slightly less than that in terms of initial or direct impact. This is after allowing for the leakages from the regional area in terms of induced impacts, which have about 30% of the total level of activity.

ADJUSTMENT OF EXPENDITURE

The aggregated data is converted from purchaser prices to basic prices, as the raw data includes margins, taxes and subsidies. All monetary values in the national, South Australian input-output models are expressed as basic values. The prime differences between purchaser prices and basic values are that:

- Basic values exclude the cost of transport and wholesale and retail trade which are embedded in the purchase price (and allocate these to the transport and trade sectors)
- GST will be allocated to Gross Operating Surplus

The South Australian model adopted in this study is for 2006/07 and was prepared by Econsearch and is commonly known as the RISWE model.

The core assumptions in making the adjustments from purchaser price distributions to basic values are:

- The average value-added in each of the industry sectors is extracted and then the GST component (at 10% and only paid on the value-added) is deducted and separately identified
- The purchaser price is adjusted for the average margin for wholesale, retail and transport sectors, as identified in the national input-output tables

GOOD AND SERVICES TAX

The GST generated by the racing industry in South Australia represents 6.26% of direct expenditure by the industry or close to \$19 million. It is assumed that GST revenue is directed back to the state and used to fund items such as government administration, health and education.

EXPENDITURE AREA

	Thoroughbred (\$mill)	Greyhound (\$mill)	Harness (\$mill)	Total (\$mill)
Production of Racing Animals	\$21.76	\$2.40	\$3.01	\$27.18
Preparation of Racing Animals	\$56.71	\$8.22	\$29.93	\$94.87
Wagering Revenues & Product Fees	\$81.40	\$19.25	\$15.75	\$116.40
Raceday Customer Spend (on-course)	\$12.88	\$1.17	\$0.85	\$14.90
Raceday Customer Spend (off-course)	\$19.47	\$0.44	\$1.66	\$21.57
Non-Raceday Customer Spend	\$18.61	\$2.05	\$6.54	\$28.09
Total	\$210.83	\$34.43	\$57.75	\$303.01
Proportion of the Industry	69.5%	11.4%	19.1%	

VALUE-ADDED CONTRIBUTION TO GROSS STATE PRODUCT

The racing industry in South Australia is responsible for generating \$401.7 million in real gross value-added contribution to Gross State Product. This is the extent to which the industry contributes to the South Australian economy.

Real gross value-added is the generally accepted measure of the value of production from economic activity. It is the sum of the value-added by all industries in a region (in this case, regions of South Australia). In any period of time, the value-added in an industry is essentially the value of sales, less the value of inputs used in production. This means value-added is equal to the income (wages, salaries and profits) generated in production.

The real gross value-added calculation uses constant prices (prices in a selected year), hence it does not allow for general price level changes (inflation). Also the calculation makes no allowance for capital used in production (depreciation).

As illustrated earlier, the level of economic activity will not proportionally follow the expenditure, as regional areas generally have higher import penetrations than metropolitan areas. That is, a large proportion of the expenditure is on product imported from the metropolitan area.

The South Australian Racing Industry was responsible for generating \$224 million in Household Income. This represents the wages and salaries component of gross value-added.

The goods and services tax (GST) generated by the racing industry in South Australia represents 6.26% of direct expenditure by the industry - close to \$19 million.

In summary, the conclusions are:

- The total direct expenditure linked to the South Australian Racing Industry is estimated at \$303 million
- This expenditure is responsible for creating a total of \$143.3 million value-added (or wages income plus gross operating surplus) directly, with wages and salaries being \$94.0 million, generating approximately 1,523 jobs (in full-time equivalent terms)
- However, the flow-on effects linked to this expenditure are over double the size of the contribution the sector makes. Including those flow-on effects, the total contribution of the South Australian racing industry is estimated as \$401.7 million value-added (or wages income plus gross operating surplus), with wages and salaries being \$224.2 million and approximately 3,628 jobs (in full-time equivalent terms)



TOTAL VALUE ADDED BY REGION (\$MIL)

Thoroughbred racing is responsible for generating 69.8% of the racing industry's total value-added with the Adelaide (70.1%) and Outer Adelaide (14.0%) regions generating the largest amounts.

Harness racing is responsible for generating 18.9% of the racing industry's total value-added with the Adelaide (74.0%) and Outer Adelaide (13.1%) regions generating the largest amounts.

Greyhound racing is responsible for generating 11.3% of the racing industry's total value-added with the Adelaide (83.6%) and the Outer Adelaide (7.7%) regions generating the largest amounts.

Since 2002/03, the racing industry has increased its gross value-added output by 27.9%.

The following table illustrates the value-added impact of the South Australian Racing Industry in each of the ANZSIC industry sectors:

ANZSIC Industry Classification	Racing Industry Direct Value-Added (\$ mil)	% of Racing Industry Direct Value-Added
Agriculture, Forestry & Fishing	\$14.21	9.9%
Mining	\$0.00	0.0%
Manufacturing	\$1.88	1.3%
Electricity, Gas, Water & Waste	\$5.49	3.8%
Construction	\$1.57	1.1%
Wholesale Trade	\$7.14	5.0%
Retail Trade	\$9.41	6.6%
Accommodation & Food Services	\$4.99	3.5%
Transport, Postal & Warehousing	\$9.02	6.3%
Information Media & Telecommunications	\$7.94	5.5%
Finance & Insurance Services	\$10.33	7.2%
Property and Business Services (I, M, N)	\$8.72	6.1%
Public administration and safety	\$4.83	3.4%
Education & Training	\$5.72	4.0%
Health care and social assistance	\$10.89	7.6%
Arts and recreation services	\$35.78	25.0%
Other Services	\$5.39	3.7%
Total	\$143.31	

* Gross Value-Added measures the contribution to the economy of each individual producer, industry or sector in South Australia.



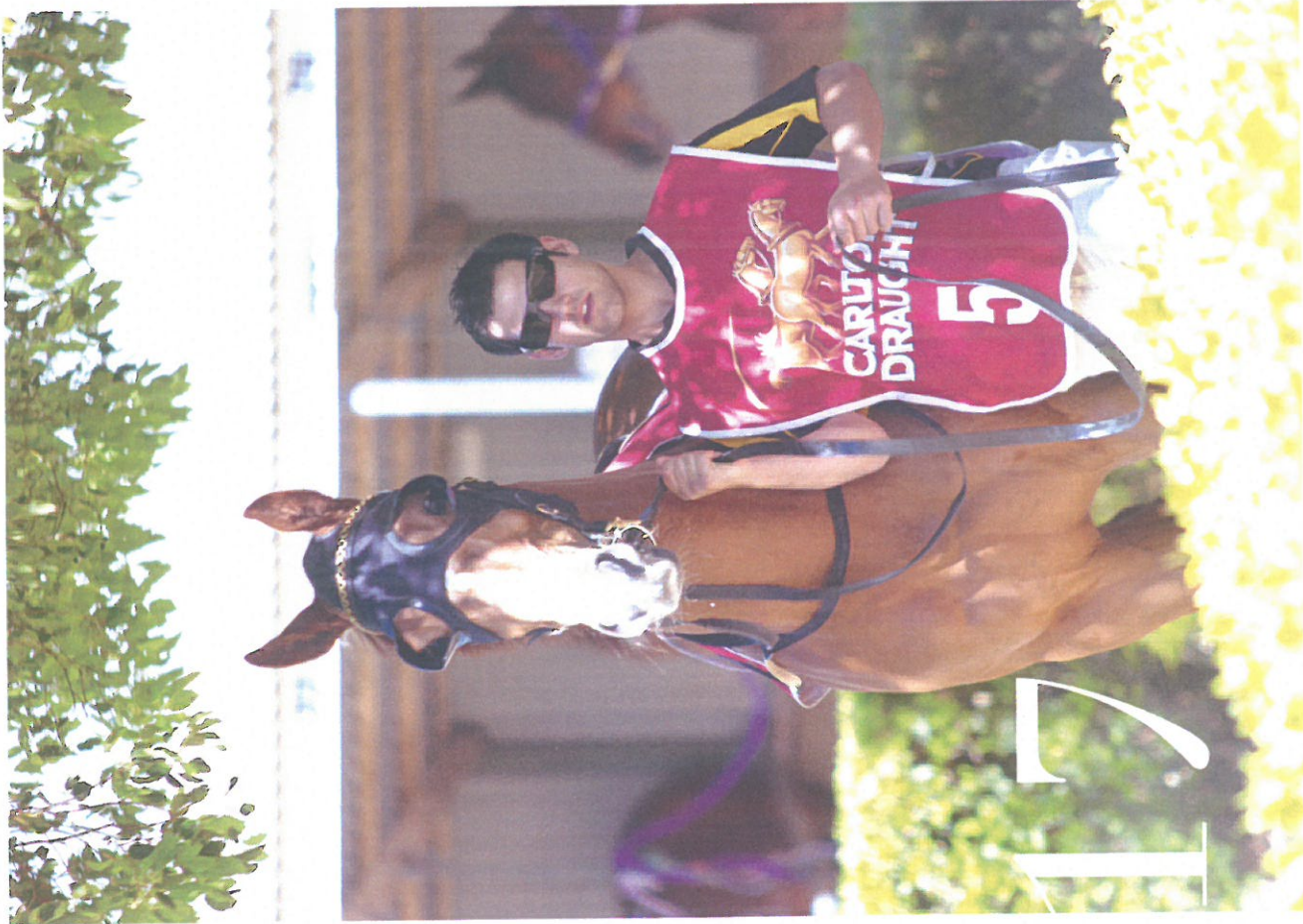
19

economic impacts

19 ECONOMIC, SOCIAL AND COMMUNITY BENEFITS OF THE SOUTH AUSTRALIAN RACING INDUSTRY

IER PTY.LTD.





EMPLOYMENT & PARTICIPATION

NUMBER OF PARTICIPANTS IN THE RACING INDUSTRY 2011/12

	Thoroughbred	Greyhound	Harness	Total
Breeders	386	157	194	737
Breeders' Staff	230	24	41	295
Owners & Syndicate Owners	4,179	3,065	2,289	9,533
Trainers	316	465	344	1,125
Trackriders/Stablehands	676	N/A	316	992
Participants in Producing & Racing Animals	5,787	3,711	3,184	12,682
Full-Time Club Staff	82	33	4	119
Part-Time Club Staff	23	24	5	52
Casual/Contractor Club Staff	942	75	78	1,095
Club Volunteer	918	212	116	1,246
Jockeys, Drivers & Apprentices	65	N/A	57	122
Barrier Attendants	50	N/A	23	73
Stewards	26	9	6	41
Participants in Producing the Race Day Product	2,106	353	289	2,748
Racing Industry Staff (FTE)	32	19	10	62
Total	7,925	4,083	3,483	15,492

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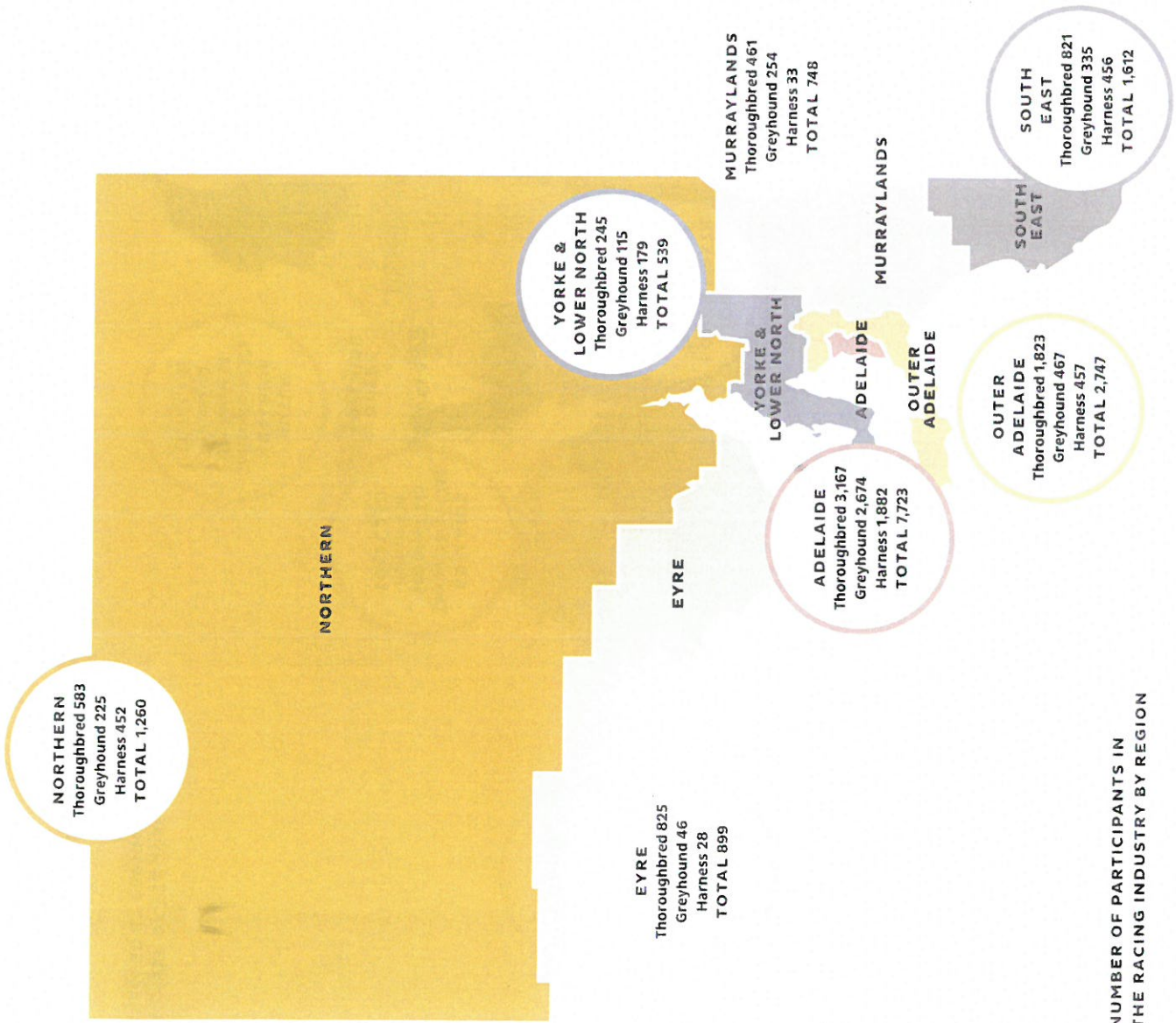
The racing industry relies on the strength of its participants. For many participants, the racing industry is their livelihood - their occupation. Breeders kickstart a chain of activity which leads to the production of a racing product that is consumed by audiences on most days of the year.

Just under 15,500 people are directly involved in the racing industry as a participant, volunteer or employee.

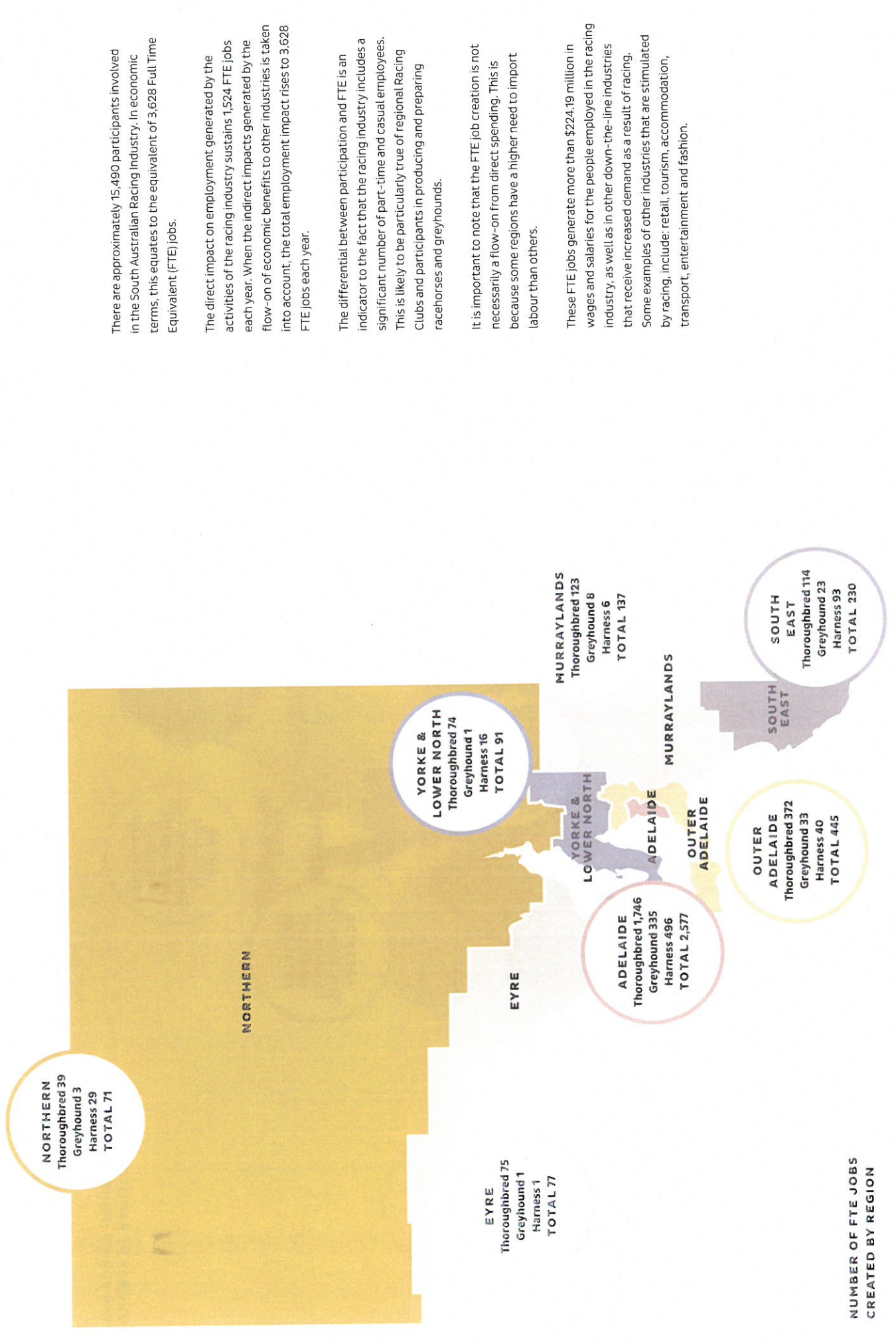
Of the 2,565 people filling roles at Racing Clubs, more than 1,240 provide their time and skills in a voluntary capacity. These volunteers are often the backbone of Racing Clubs and the engine-room of race meetings in regional areas. Additionally they form an important link between Racing Clubs and their communities.

Many participants hold more than one role within the industry. For instance, many breeders are also registered owners of racing animals. Every effort has been taken to avoid double-counting. The Full-Time Equivalent employment figures on the following pages provide a more accurate measure of the extent to which the racing industry sustains and stimulates employment in South Australia.

More than 49% of these participants are in the Adelaide region, with a further 17.7% in the Outer Adelaide region.



NUMBER OF PARTICIPANTS IN THE RACING INDUSTRY BY REGION



**NUMBER OF FTE JOBS
CREATED BY REGION**

There are approximately 15,490 participants involved in the South Australian Racing Industry. In economic terms, this equates to the equivalent of 3,628 Full Time Equivalent (FTE) jobs.

The direct impact on employment generated by the activities of the racing industry sustains 1,524 FTE jobs each year. When the indirect impacts generated by the flow-on of economic benefits to other industries is taken into account, the total employment impact rises to 3,628 FTE jobs each year.

The differential between participation and FTE is an indicator to the fact that the racing industry includes a significant number of part-time and casual employees. This is likely to be particularly true of regional Racing Clubs and participants in producing and preparing racehorses and greyhounds.

It is important to note that the FTE job creation is not necessarily a flow-on from direct spending. This is because some regions have a higher need to import labour than others.

These FTE jobs generate more than \$224.19 million in wages and salaries for the people employed in the racing industry, as well as in other down-the-line industries that receive increased demand as a result of racing. Some examples of other industries that are stimulated by racing, include: retail, tourism, accommodation, transport, entertainment and fashion.





BREEDING

NUMBER OF BREEDERS

	Thoroughbred	Greyhound	Harness	Total
Adelaide	130	54	107	291
Eyre	34	0	2	36
Murraylands	22	20	2	44
Northern	12	7	13	32
Outer Adelaide	127	59	34	220
South East	49	11	26	86
Yorke and Lower North	12	6	10	28
Total	386	157	194	737

NUMBER OF STAFF EMPLOYED BY BREEDERS

	Thoroughbred	Greyhound	Harness	Total
Adelaide	52	8	23	83
Eyre	10	0	0	10
Murraylands	13	3	0	16
Northern	11	1	3	15
Outer Adelaide	114	9	7	130
South East	25	2	6	33
Yorke and Lower North	5	1	2	8
Total	230	24	41	295

NUMBER OF REGISTERED BREEDERS

The breeding sector of the racing industry in South Australia assists in replenishing horses and greyhounds for racing. There are more than 730 registered breeders in South Australia. Nearly 40% of the breeders reside in the Adelaide region with a further 29.9% in the Outer Adelaide region. Breeding activity is mostly identified as occurring in the regions in which the horse and greyhound populations are based.

At the top end of the breeding sector, large stud farms employ many staff and produce large numbers of foals and pups each year. At the other end of the scale, there are a large number of amateur and hobby breeders also producing foals and pups.

Breeders derive the majority of their income from the public and private sale of their stock. This particular sector of the industry has great potential to generate economic impacts for the state, as breeders often sell their stock to interstate and overseas buyers at sales

events. This process leads to significant opportunities for foreign investment to flow back to the state as a result of non-South Australian buyers buying South Australian breeding stock. The opposite is also true as owners invest money outside the state purchasing non-South Australian bred racehorses and greyhounds. A proportion of South Australia's broodmare population travel across the border each year to be bred with stallions in other States.

There is no doubt however that a strong breeding industry has the potential to bring significant investment to South Australia from interstate and overseas buyers and owners.

BREEDING ANIMALS

In 2011/12, breeders produced 1,387 foals and pups for the South Australian Racing Industry. In particular, the thoroughbred racing industry recorded 635 foals bred for the purpose of racing.



More than 730 people in South Australia breed thoroughbreds, standardbreds and greyhounds for racing.

NUMBER OF REGISTERED BREEDERS BY REGION

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NUMBER OF REGISTERED STALLIONS & SIRES

	Thoroughbred	Greyhound	Harness	Total
Adelaide	2	5	2	9
Eyre	4	0	0	4
Murraylands	4	1	0	5
Northern	0	0	1	1
Outer Adelaide	23	2	4	29
South East	0	0	1	1
Yorke and Lower North	3	0	0	3
Total	36	8	8	52

NUMBER OF BROODMARES & BROODBITCHES COVERED

	Thoroughbred	Greyhound	Harness	Total
Adelaide	259	25	174	458
Eyre	39	0	3	42
Murraylands	43	6	2	51
Northern	16	2	16	34
Outer Adelaide	327	52	55	434
South East	82	4	62	148
Yorke and Lower North	62	2	14	78
Total	828	91	326	1,245

NUMBER OF LIVE FOALS & PUPS

	Thoroughbred	Greyhound	Harness	Total
Adelaide	195	163	85	443
Eyre	27	0	1	28
Murraylands	29	39	1	69
Northern	13	13	8	34
Outer Adelaide	261	339	27	627
South East	61	26	30	117
Yorke and Lower North	49	13	7	69
Total	635	593	159	1,387

TOTAL EXPENDITURE ON PRODUCING RACEHORSES & GREYHOUNDS

	Thoroughbred (\$mil)	Greyhound (\$mil)	Harness (\$mil)	Total (\$mil)
Adelaide	\$7.05	\$0.66	\$1.60	\$9.32
Eyre	\$0.82	\$0.00	\$0.03	\$0.85
Murraylands	\$0.98	\$0.16	\$0.02	\$1.16
Northern	\$0.31	\$0.05	\$0.15	\$0.51
Outer Adelaide	\$9.59	\$1.37	\$0.51	\$11.47
South East	\$1.63	\$0.11	\$0.57	\$2.31
Yorke and Lower North	\$1.39	\$0.05	\$0.13	\$1.57
Total	\$21.76	\$2.40	\$3.01	\$27.18

In 2011/12, breeders in the South Australian racing industry spent more than \$271 million on the production of racing stock. In calculating the expenditure incurred by breeders, a number of factors must be considered. Essentially, breeders incur costs on the maintenance of broodmares, broodbitches and sires as well as in the breeding and care of foals and pups. In addition to this, breeders also incur costs for:

- The maintenance of stallions through service fees
- Sales commission on yearlings sold at auction
- Bloodstock insurance
- Business related expenditure
- Sales and marketing related expenditure

The expenditure figures outlined in this section have been derived through a combination of industry level consultation, and primary research amongst breeders in each code across South Australia.

More than 42% of all expenditure in the breeding sector occurs in the Outer Adelaide region. The Adelaide (34.3%) and South East (8.5%) regions make up the next most active breeding areas in the state.

THOROUGHBRED BREEDERS

In 2011/12, 828 mares were covered in South Australia, producing 635 foals. From an industry perspective, it is important to acknowledge that there are different costs associated with mares depending on their

breeding activity in a given year. Empty mares for instance, still incur expenditure despite not producing a foal, and as such need to be included in the assessment.

The thoroughbred breeding sector accounts for 80% of all breeding industry related expenditure in South Australia. This expenditure is quite centralised, with Outer Adelaide (44.1%) and Adelaide (32.4%) making up the bulk of this activity.

GREYHOUND BREEDERS

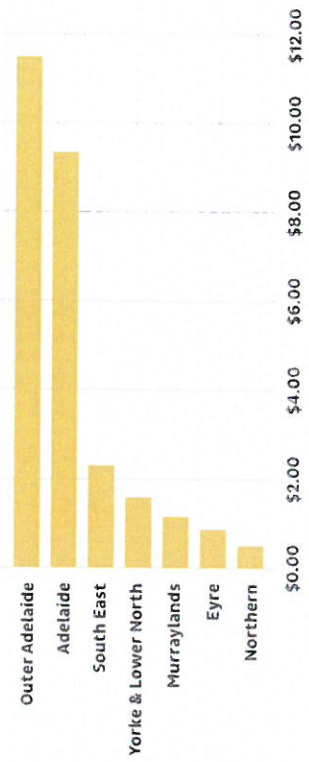
In 2011/12, 91 bitches were covered in South Australia, producing 593 live pups. The greyhound breeding sector accounts for 8.8% of all breeding industry related expenditure in South Australia. More than 57% of this breeding activity is in the Outer Adelaide area.

HARNES BREEDERS

In 2011/12, 326 mares were covered in South Australia, producing 159 foals. The harness breeding sector accounts for 11% of all breeding industry related expenditure in South Australia. Adelaide makes up 53% of this breeding activity with the South East (19.1%) and Outer Adelaide (16.9%) making up a significant portion of the remainder.

The following chart illustrates the total expenditure by region on thoroughbred, greyhound and harness breeding activities generated in South Australia.

EXPENDITURE ON PRODUCING FOALS & PUPS (\$MIL)



TOTAL EXPENDITURE ON PRODUCING RACEHORSES & GREYHOUNDS BY REGION (\$MIL)

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TRAINING

TOTAL NUMBER OF TRAINERS

	Thoroughbred	Greyhound	Harness	Total
Adelaide	100	225	186	511
Eyre	26	2	3	31
Murraylands	34	55	2	91
Northern	21	30	49	100
Outer Adelaide	83	104	52	239
South East	49	36	37	122
Yorke and Lower North	3	13	15	31
Total	316	465	344	1,125

NUMBER OF REGISTERED JOCKEYS, (APPRENTICES) & DRIVERS

	Thoroughbred	Greyhound	Harness	Total
Adelaide	31 (8)	N/A	32	71
Eyre	1	N/A	0	1
Murraylands	3 (2)	N/A	0	5
Northern	0	N/A	4	4
Outer Adelaide	10 (5)	N/A	13	28
South East	5	N/A	7	12
Yorke and Lower North	0	N/A	1	1
Total	50 (15)	N/A	57	122

NUMBER OF STABLE EMPLOYEES & TRACK RIDERS

	Thoroughbred	Greyhound	Harness	Total
Adelaide	245	N/A	165	410
Eyre	67	N/A	3	70
Murraylands	70	N/A	3	73
Northern	45	N/A	43	88
Outer Adelaide	163	N/A	45	208
South East	82	N/A	40	122
Yorke and Lower North	4	N/A	17	21
Total	676	N/A	316	992

NUMBER OF HORSES/GREYHOUNDS IN TRAINING

	Thoroughbred	Greyhound	Harness	Total
Adelaide	931	542	664	2,137
Eyre	159	18	0	177
Murraylands	363	146	32	541
Northern	80	62	81	223
Outer Adelaide	779	477	184	1,440
South East	223	151	302	676
Yorke and Lower North	19	21	81	121
Total	2,554	1,417	1,344	5,315

NUMBER OF LICENCED TRAINERS

More than 1,120 trainers prepare over 5,300 thoroughbreds, standardbreds and greyhounds for racing in South Australia.

Trainers play an important role in the racing 'service' industry. They employ the assistance of a variety of both skilled and unskilled labour, in delivering their services. In particular, stable staff, trackriders, drivers, farriers and vets are employed by trainers as part of the process of preparing racehorses and greyhounds.

Training services generally incorporate pre-training and race training, trialling and race day management of a racehorse or greyhound. Trainers' income is mostly generated through trainer's fees charged to owners and a percentage of prizemoney won.

During the 2011/12 racing season, there were more than 1,120 horse and greyhound trainers providing services to owners in the South Australian racing industry. This represents a decrease of 15.3% when compared to the last study completed for the 2002/03 racing season. More than 45.5% of the training activity is centred around the Adelaide region.

Thoroughbred and harness trainers also employ nearly 1,000 stablehands/trackriders to assist with the preparation of horses for racing. For many of these people, the employment opportunities offered by trainers utilise both skilled and unskilled labour. Nearly 40% of these jobs are sustained within regional areas of South Australia.



TOTAL NUMBER OF TRAINERS BY REGION



NUMBER OF RACEHORSES AND GREYHOUNDS IN TRAINING

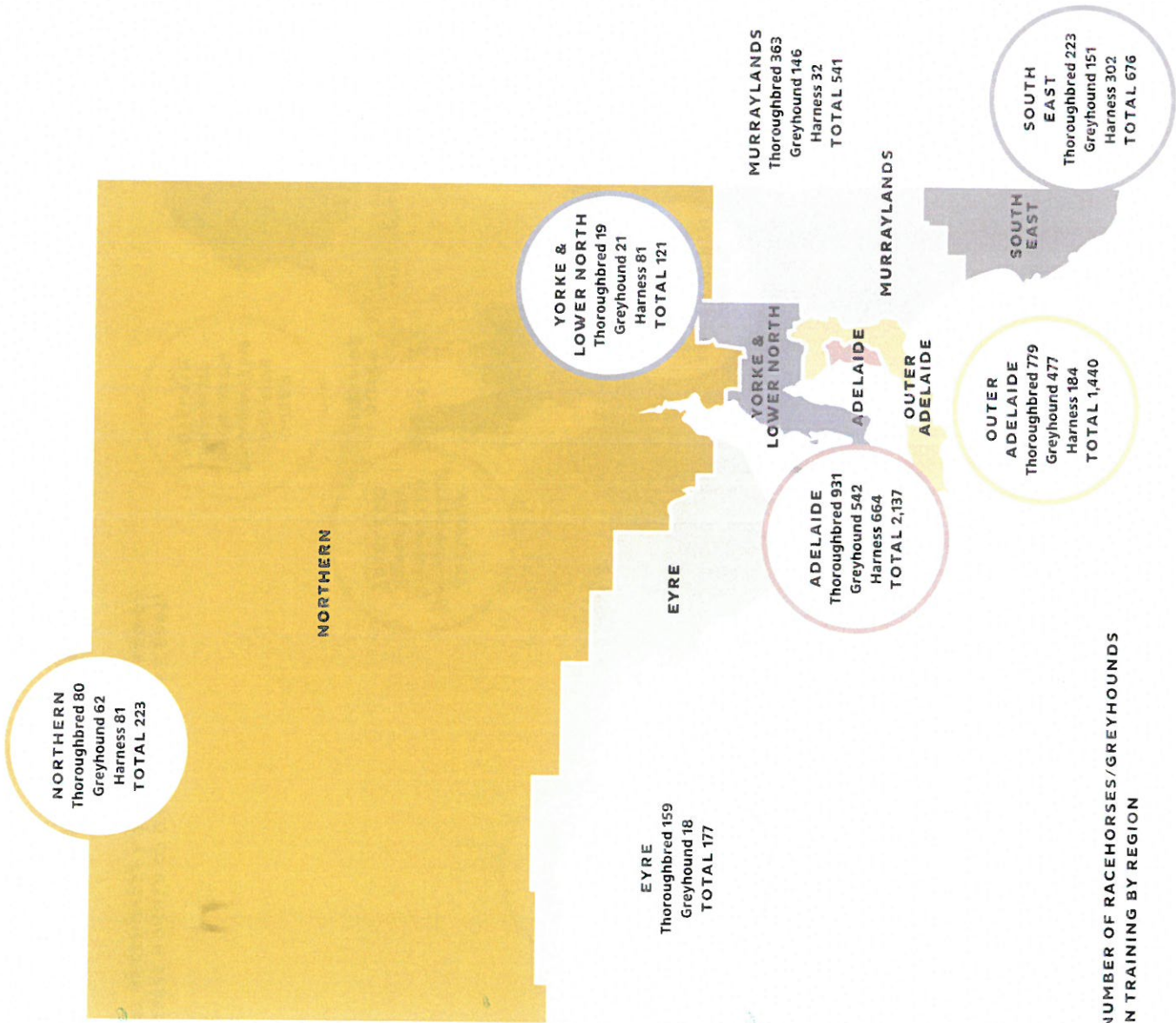
In 2011/12, there were 5,315 thoroughbreds, standardbreds and greyhounds in training in South Australia. More than 67% of these horses and greyhounds were in work in the Greater Adelaide* region.

The training of thoroughbreds occurs on a number of racetracks and private properties in South Australia. More than 36% of thoroughbred training occurs in Adelaide, with training at Morphettville prominent in this total.

Close to half (49.4%) of harness training occurs in the Adelaide region. The South East is also a significant region for harness training consisting of 22.5% of the state's activity.

More than two-thirds of greyhound training occurs within the Greater Adelaide region. Greyhound training predominantly takes place on private properties.

* Greater Adelaide consists of Adelaide and Outer Adelaide.



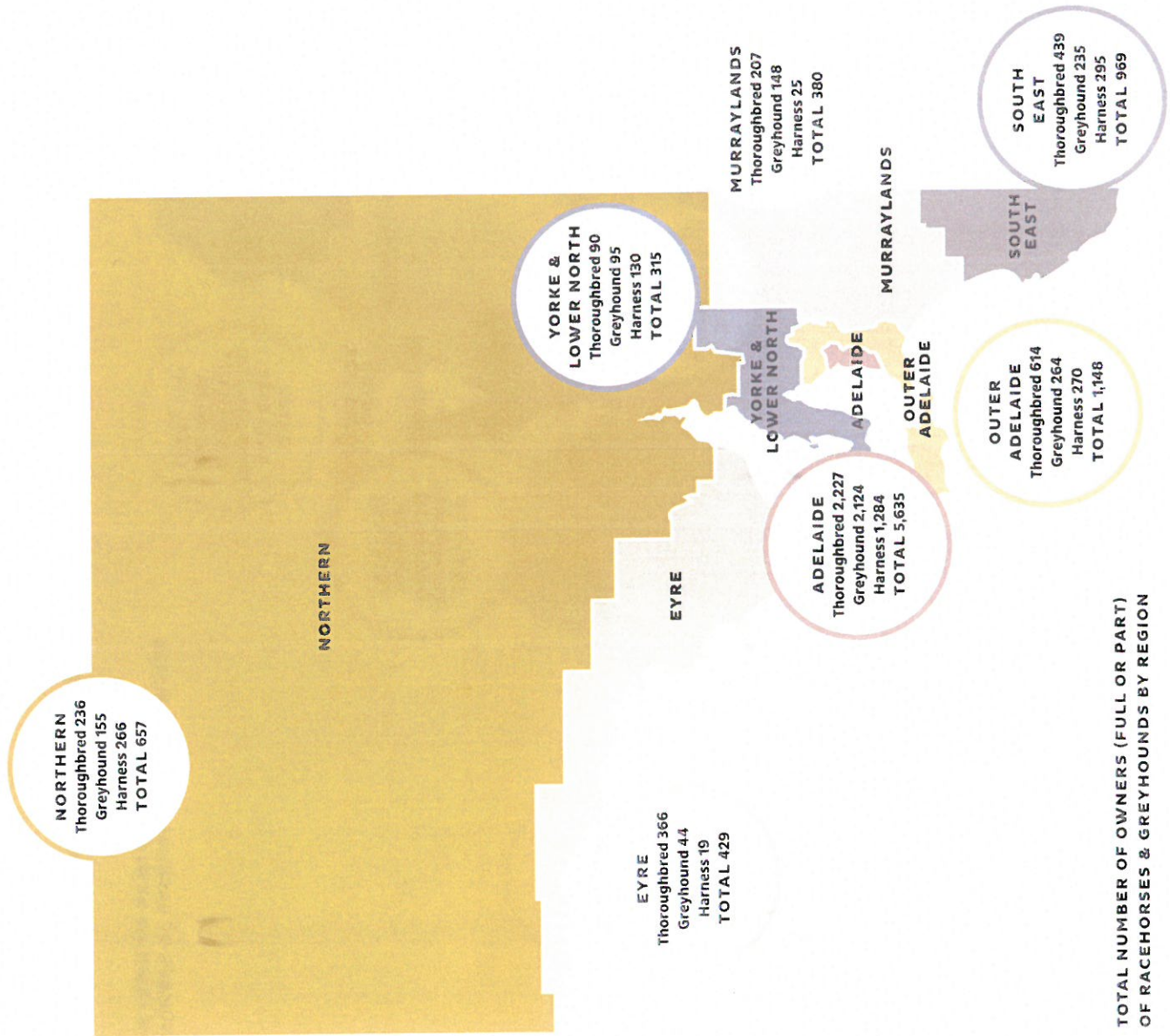
NUMBER OF RACEHORSES/GREYHOUNDS IN TRAINING BY REGION

OWNERSHIP

Owners play a significant role in the funding model of the racing industry. They provide much of the capital outlay and day-to-day funding for the preparation of racehorses and greyhounds. In 2011/12 there were more than 9,500 individuals in South Australia with an ownership interest in thoroughbred, harness and/or greyhound racing.

More than 71% of the owners in the racing industry, reside in the Greater Adelaide region. However, the South East has the highest representation of owners within the local population, with an estimated 1 in 48 adult residents indicating that they have an ownership interest in racing.

Research over a number of years has shown that many owners do not consider their involvement to be a financial investment from which they expect a net positive return. This is not to say however, that owners are prepared to continue to fund their involvement if there are diminished opportunities to realise a return. Thus it is important to note that financial returns are often not the key motivation for racing owners, however it is imperative that owners generate an acceptable level of return on their investment.



TOTAL NUMBER OF OWNERS (FULL OR PART) OF RACEHORSES & GREYHOUNDS BY REGION

In 2011/12, owners of racehorses and greyhounds trained in South Australia spent more than \$94.8 million on the preparation of racing animals.

The calculation of expenditure on the preparation of racehorses and greyhounds takes into account the various training and non-training related expenditure items incurred. The development of expenditure profiles within each region is based upon the number of racehorses and greyhounds in training. It also takes into consideration the differing training costs at various stages of the lifecycle of the animal. For instance, expenditure on a yearling is different to expenditure on an established 3 year old racehorse. It is also important that this assessment takes into consideration non-South Australian owned horses and greyhounds which are trained in the state. Developing expenditure profiles on a 'horse/greyhound in training' basis, ensures that they are also included in the assessment.

The expenditure figures outlined in this section have been derived through a combination of industry level consultation and surveying of a sample of owners and trainers in South Australia.

The analysis of the expenditure on the preparation of racehorses and greyhounds, includes items such as training fees, insurance, vitamins and supplements, veterinarian fees, gear hire/purchase and racing/trailing fees, amongst others.

Training fees often cover a proportion of the expenditure incurred by the owner in the preparation of their animal, however there are a number of expenses that are either billed separately, or borne separately by owners (particularly in thoroughbred and harness racing). As such, only using the training fees as a measure of the cost of production, would understate the true impact.

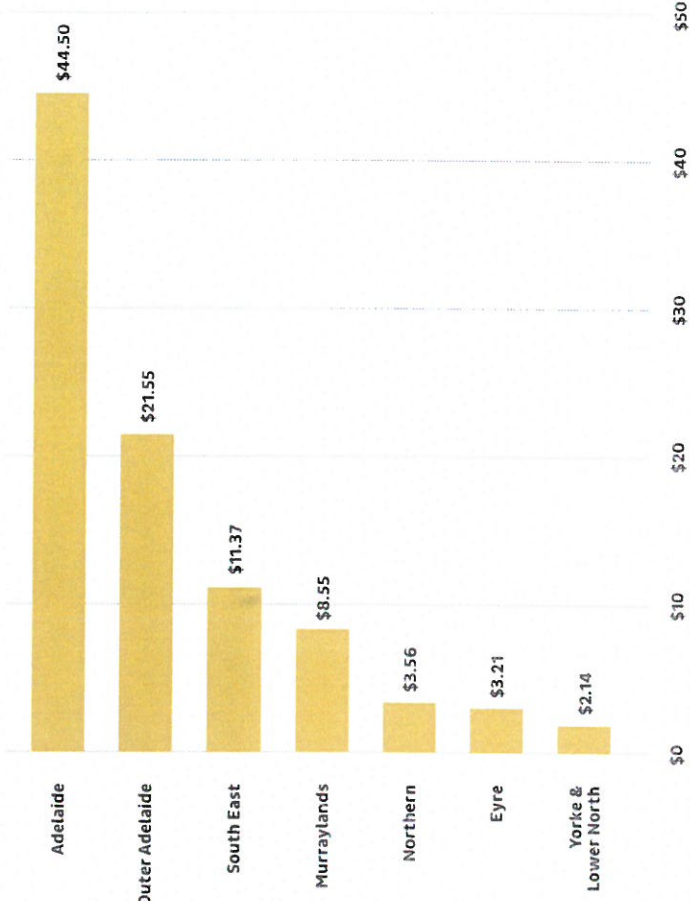
The arrangements between greyhound owners and trainers are different to their thoroughbred and harness counterparts. Greyhound owners and trainers employ a number of different payment structures, the most popular being where the trainer retains 50% of stake money and forgoes any training fee. In this case, it is important that all greyhound trainer expenditure is captured to determine direct expenditure.

Generally, the involvement of owners in the industry delivers economic impacts through expenditure on the following items:

CATEGORY: Included in the trainers fee and/or animal is in training)	EXPENDITURE ITEM: + Training Fee + Farriers + Feed & Supplements + Veterinary Bills + Transport Costs
CATEGORY: Covered by owners directly (not generally included in trainer accounts)	EXPENDITURE ITEM: + Insurance + Agistment/Spelling + Registration Fees + Transport + Entertainment + Accommodation + Trophies & Prints + Breaking-in/Pre-training

More than 46% of the total expenditure on preparing racehorses and greyhounds occurs in the Adelaide region. Outer Adelaide (22.7%) and the South East (12.0%) make up the next largest proportions.

EXPENDITURE BY REGION ON PREPARING RACEHORSES AND GREYHOUNDS (\$ MIL)



RACING CLUBS

NUMBER OF RACING CLUBS

	Thoroughbred	Greyhound	Harness	Total
Adelaide	2	3	2	7
Eyre	6	0	1	7
Murraylands	2	0	0	2
Northern	5	1	2	8
Outer Adelaide	3	1	4	8
South East	5	1	1	7
Yorke and Lower North	2	0	1	3
Total	25	6	11	42

NUMBER OF RACETRACKS

	Thoroughbred	Greyhound	Harness	Total
Adelaide	2	1	2	5
Eyre	5	0	1	6
Murraylands	2	0	0	2
Northern	5	1	2	8
Outer Adelaide	3	1	4	8
South East	4	1	1	6
Yorke and Lower North	2	0	1	3
Total	23	4	11	38

TOTAL NUMBER OF RACE MEETINGS

	Thoroughbred	Greyhound	Harness	Total
Adelaide	85	308	178	569
Eyre	20	0	0	20
Murraylands	16	0	0	16
Northern	13	8	26	47
Outer Adelaide	19	12	9	40
South East	27	26	12	65
Yorke and Lower North	15	0	1	16
Total	193	354	226	773

TOTAL NUMBER OF RACES

	Thoroughbred	Greyhound	Harness	Total
Adelaide	671	3,172	1,328	5,171
Eyre	139	0	0	139
Murraylands	130	0	0	130
Northern	94	60	194	348
Outer Adelaide	147	60	67	274
South East	213	260	90	563
Yorke and Lower North	120	0	7	127
Total	1,514	3,552	1,686	6,752

racing clubs

From a business perspective, Racing Clubs operate essentially to provide an opportunity for owners to race their horses and greyhounds. From a social perspective, many of the Racing Clubs are vitally important (both historically and currently), to the fabric of their communities.

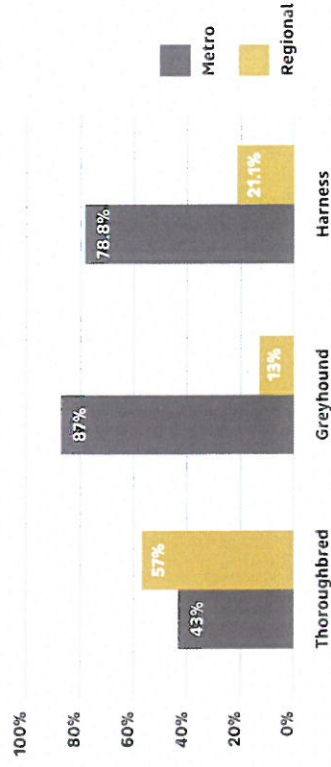
The controlling bodies within the three codes distribute prizemoney to owners, trainers and jockeys/drivers. Therefore, the majority of Racing Club expenditure is distributed into the local economy. The Clubs purchase products and

services for the purpose of delivering a quality raceday/racenight experience for their customers.

There are 42 racing clubs racing at 38 racetracks across the three codes in South Australia. In 2011/12, these racing clubs were responsible for hosting 773 race meetings.

The following chart illustrates the proportion of race meetings held by each code within the metropolitan and regional areas of South Australia:

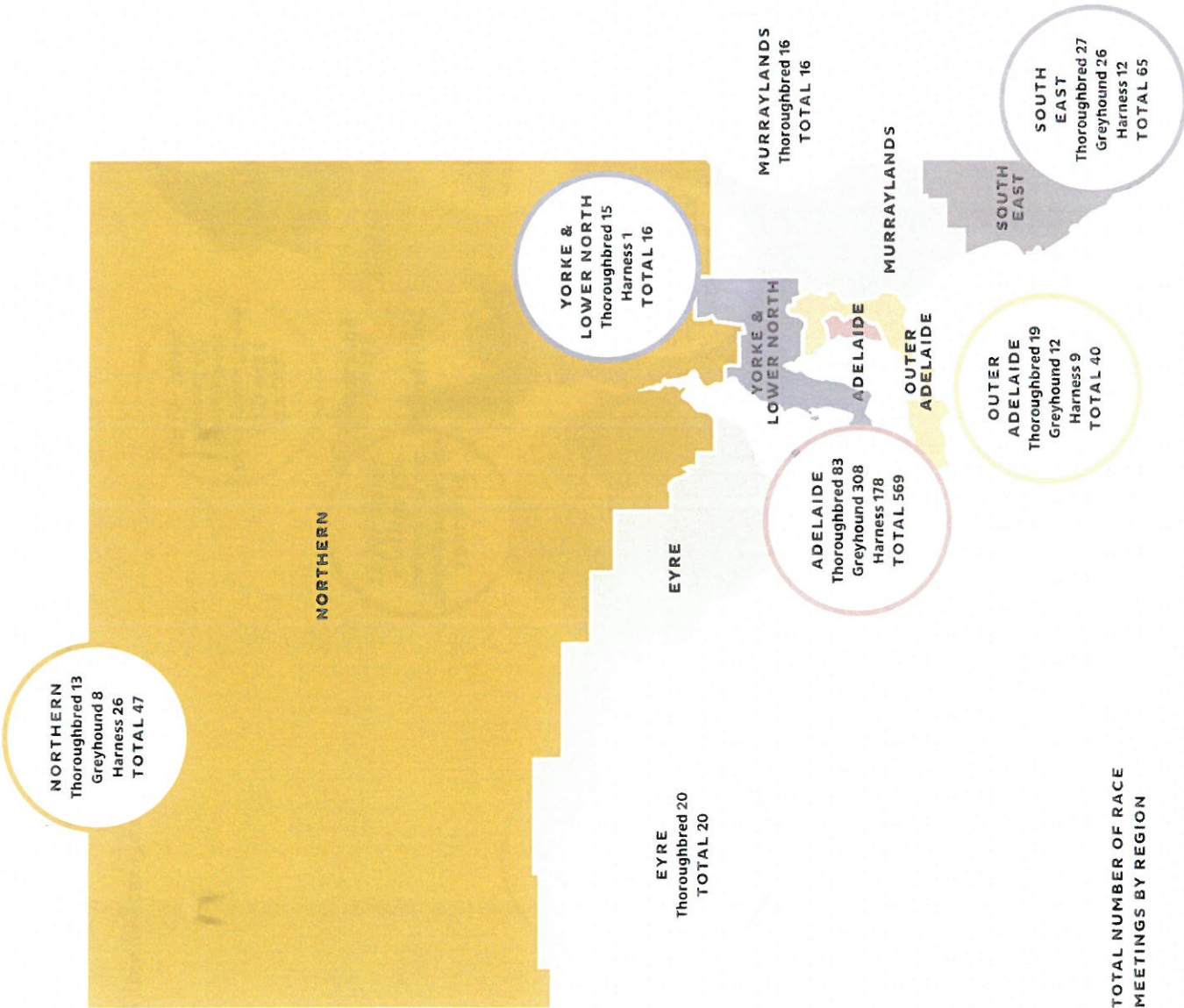
PROPORTION OF RACE MEETINGS IN SOUTH AUSTRALIA



In addition to hosting official race meetings, a number of Racing Clubs also hold trials for the purposes of providing opportunities for racehorses and greyhounds to prepare under race-like conditions.

Racing Clubs also provide an important social opportunity for their Members. The table below illustrates the number of people within each region who have a membership association with their Racing Club.

	Thoroughbred	Greyhound	Harness	Total
Adelaide	2,127	283	403	2,813
Eyre	586	0	0	586
Murraylands	267	87	0	354
Northern	481	40	185	716
Outer Adelaide	1,271	39	87	1,407
South East	737	65	320	1,122
Yorke and Lower North	355	0	0	355
Total	5,834	514	1,015	7,363



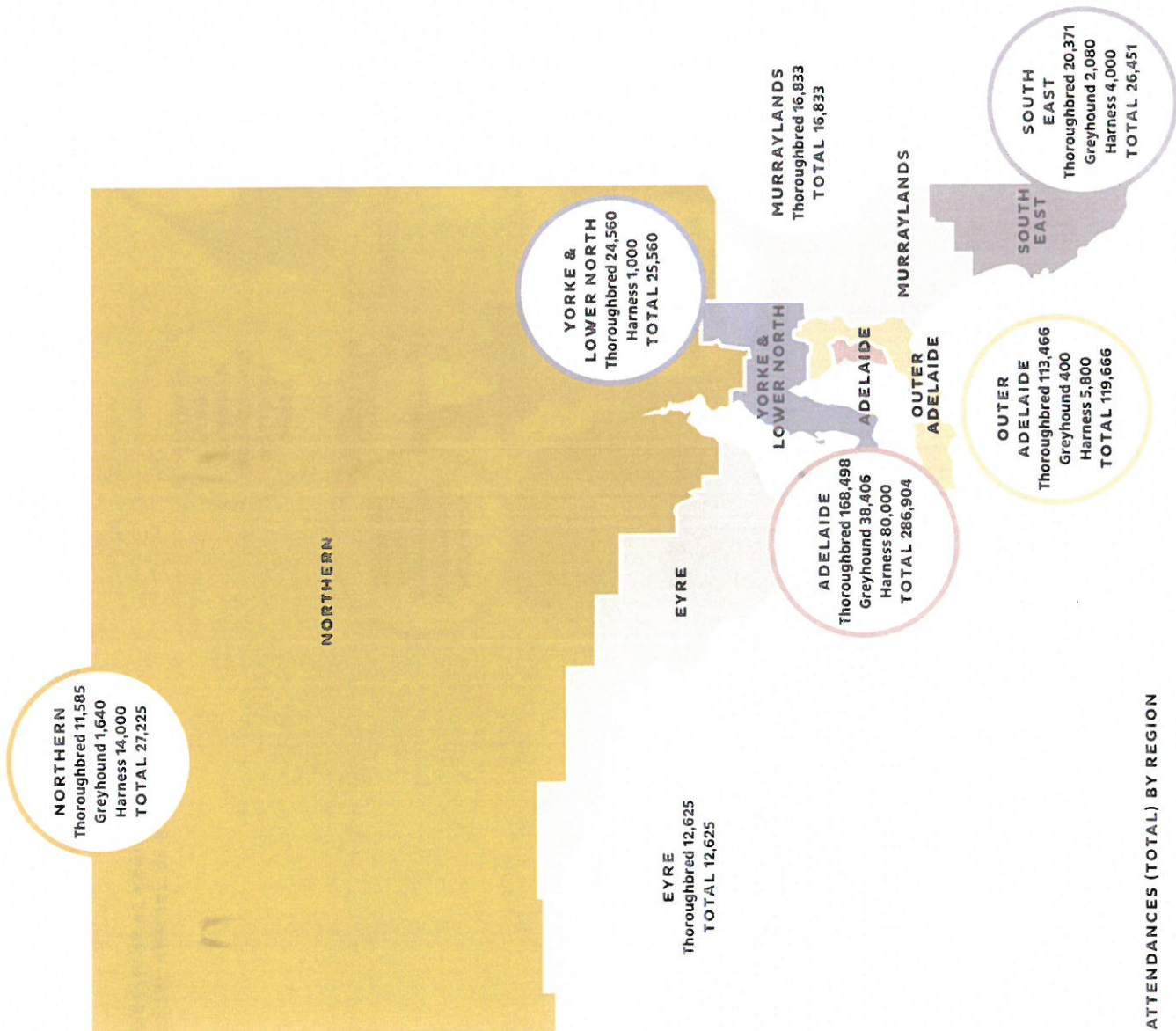
TOTAL NUMBER OF RACE MEETINGS BY REGION

ATTENDANCES AT RACE MEETINGS

During the 2011/12 racing season, thoroughbred, harness and greyhound race meetings across South Australia attracted attendances of just over 515,000. Thoroughbred racing reported attendances of 367,938, which represents a 15% increase on the attendance outlined in the last assessment conducted in 2002/03. Greyhound racing and harness racing have recorded declines in their attendances. The 104,800 attendances at harness racing meetings represent a 37% decline from the attendances outlined in 2002/03. Greyhound racing reported attendances of 42,526 which represents a decrease of 15.1%.

The following table illustrates the average attendance per thoroughbred, greyhound and harness race meeting in each of the South Australian regions:

	Thoroughbred	Greyhound	Harness
Adelaide	2,030	125	449
Eyre	631	N/A	N/A
Murraylands	1,052	N/A	N/A
Northern	891	205	538
Outer Adelaide	5,972	80	644
South East	754	80	333
Yorke and Lower North	1,637	N/A	1,000



ATTENDANCES (TOTAL) BY REGION

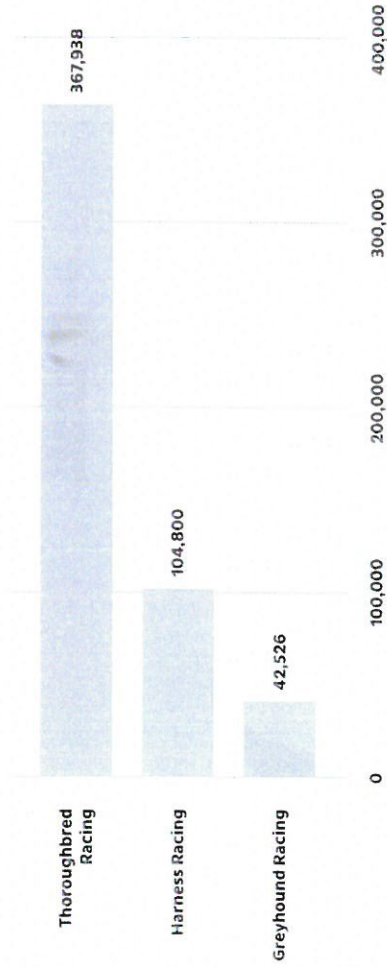
As outlined earlier, during the 2011/12 racing season, race meetings across South Australia attracted attendances of just over 515,000. These attendances were split relatively evenly between metropolitan race meetings (55.2%) and regional race meetings (44.8%), albeit metropolitan race meetings outnumber regional race meetings by close to 3 to 1. The attendances outlined above include multiple attendances throughout the course of the racing season by individuals.

Whilst there is no primary data from which to estimate the number of individuals who attend race meetings, the Australian Bureau of Statistics estimates that in 2009/10* (the last year in which this assessment was made), the South Australian Racing Industry attracted attendances of more than 181,500 individuals. Therefore, just over 11% of the South Australian population attended at least one race meeting in 2009/10. The two charts on the right illustrate the number of individuals who attended at least one race meeting in 2009/10.

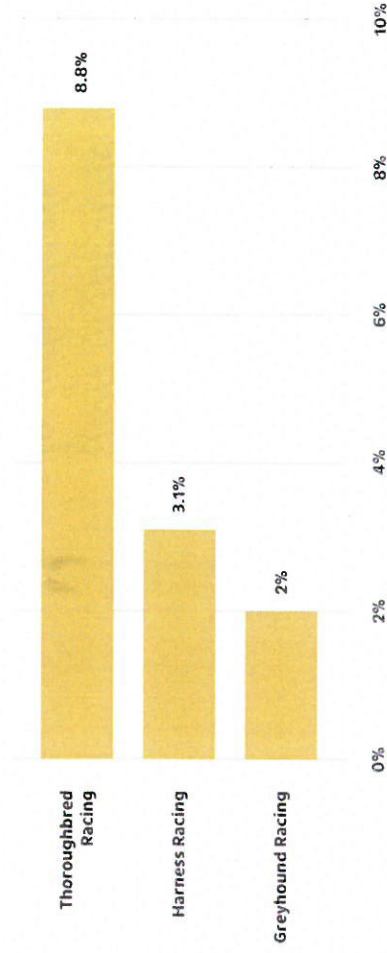
ATTENDANCE AT RACE MEETINGS IN SOUTH AUSTRALIA (INDIVIDUALS WHO ATTENDED AT LEAST ONCE)*



TOTAL ATTENDANCE AT RACE MEETINGS IN SOUTH AUSTRALIA (AGGREGATE) - 2011/12



ATTENDANCE AT RACE MEETINGS IN SOUTH AUSTRALIA (PER CAPITA ATTENDANCE)*

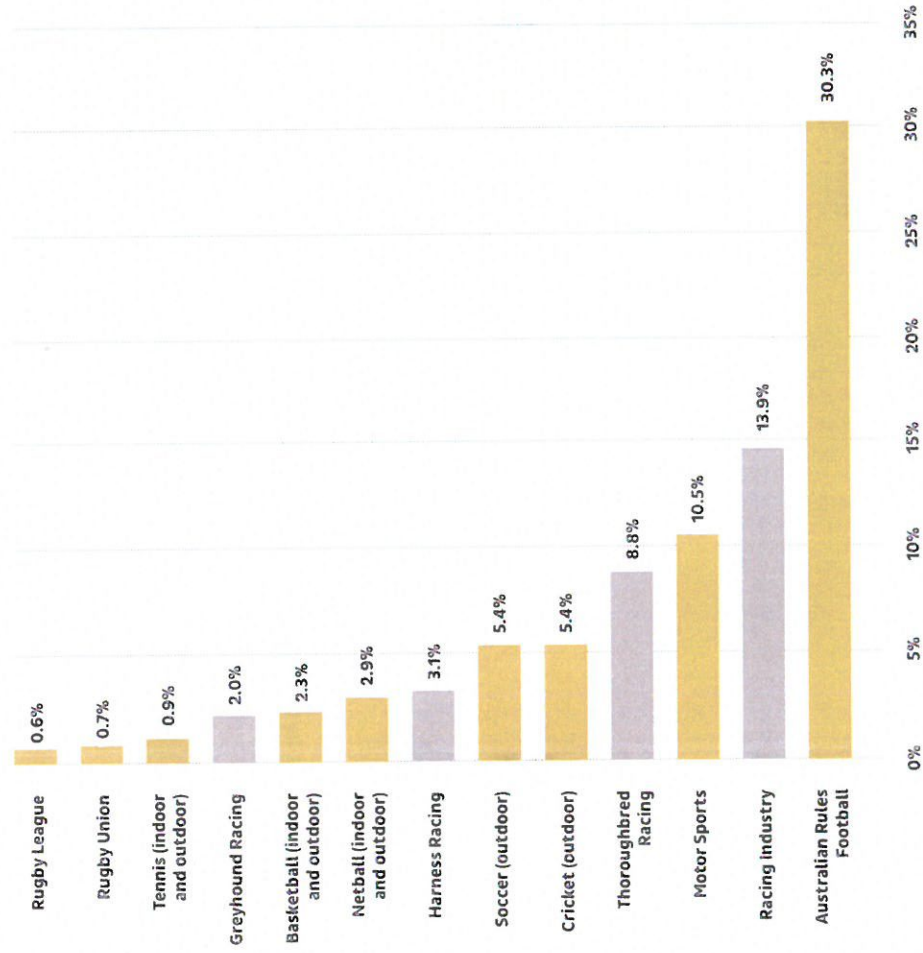


Source: ABS Catalogue 4174.0 2009-10



In 2009/10,
racing in South
Australia was
the second
highest attended
sport in the state
by individuals.*

**SPECTATORS AT SELECTED SPORTING EVENTS
IN SOUTH AUSTRALIA 2009/10 - (%)**



Source: ABS Catalogue 4174.0 2009-10

The following graph illustrates the racing industry's attendance in the context of other key sports in South Australia. As there is no primary data from which to estimate the number of individuals who attend race meetings in South Australia, the Australian Bureau of Statistics estimates that in 2009/10*, the racing industry attracted attendances of more than 181,000 individuals.

Thoroughbred Racing in South Australia (114,400) was third overall, behind motor sport (136,300) and Australian Rules football (394,700).



The racing industry has long been regarded as having the power to generate significant expenditure impacts both within and outside the racecourse. This is driven by a number of key factors:

- Racing, unlike most other events, has a strong intrinsic link to fashion - particularly for Group 1 and feature race meetings
- Racing attracts both participant and attendee visitors from outside the state. Racing participants, in particular, represent a high yield market for the state
- The corporate entertainment element of the racing product has experienced considerable growth. It is a high yield segment and, like fashion, corporate entertainment has a natural synergy with the racing product

Whilst Racing Clubs rely heavily on their share of net wagering revenue, Racing Clubs are also encouraged to develop their own organic revenues through the creation of raceday/racenight experiences on-course and non-raceday utilisation of their facilities.

Customer expenditure can be broadly segmented into the following categories:

- On-course raceday expenditure by customers (for the purpose of this analysis, this includes membership and sponsorship)
- Off-course racing related expenditure by customers (i.e. transport, retail etc.)
- On-course non-raceday related expenditure (i.e. lease arrangements for facility use etc.)

Off-course expenditure is primarily related to feature/carnival race meetings wherein the impact of racing extends out into the community both prior to and after the racing event. It is important to note that on-course expenditure within this section does include proceeds from on-course wagering.

Annual customer expenditure generated by Racing Clubs is in excess of \$64.5 million. This includes expenditure generated on-course whilst attending a race meeting, as well as expenditure in the community, linked to attendance at a race meeting.

For every dollar spent on-course by attendees at the races, a further \$1.45 is spent in the community.

	Total On-course Expenditure (Raceday) (\$mil)	Total Non-Raceday Income (\$mil)	Overnight Accommodation (\$mil)	Fringe Event Spending (\$mil)	Additional Entertainment (\$mil)	Merchandise & Retail (\$mil)	Transport (\$mil)	Fashion Spending (\$mil)	Total Off-course Expenditure (\$mil)	Total Customer Expenditure (\$mil)
Eyre	\$0.93	\$0.37	\$0.09	\$0.02	\$0.05	\$0.05	\$0.10	\$0.05	\$0.37	\$1.67
Murraylands	\$0.61	\$0.38	\$0.14	\$0.05	\$0.09	\$0.09	\$0.14	\$0.14	\$0.66	\$1.65
Northern	\$0.64	\$0.14	\$0.13	\$0.03	\$0.12	\$0.07	\$0.18	\$0.10	\$0.63	\$1.42
Outer Adelaide	\$2.13	\$0.22	\$2.09	\$3.13	\$1.42	\$0.81	\$0.92	\$1.52	\$9.90	\$12.25
South East	\$1.53	\$3.48	\$0.19	\$0.06	\$0.13	\$0.11	\$0.21	\$0.19	\$0.90	\$5.90
Yorke and Lower North	\$1.30	\$0.10	\$0.21	\$0.07	\$0.14	\$0.13	\$0.22	\$0.22	\$0.99	\$2.40
Total Regional	\$7.13	\$4.70	\$2.86	\$3.36	\$1.96	\$1.27	\$1.77	\$2.23	\$13.45	\$25.28
Adelaide	\$7.77	\$23.39	\$1.75	\$0.97	\$1.24	\$0.86	\$1.98	\$1.24	\$6.12	\$39.28
Total	\$14.90	\$28.09	\$4.61	\$4.33	\$3.19	\$2.23	\$3.75	\$3.46	\$21.57	\$64.56

*Total numbers may not correspond with individual expenditure categories due to rounding.

EXPENDITURE BY THOROUGHBRED RACING'S CUSTOMERS

During the 2011/12 racing season, just over 193 thoroughbred race meetings attracted attendances in excess of 367,900. These racegoers were responsible for spending nearly \$51.0 million. Of this spending, more than 38% (\$19.5 million) occurred off-track providing a significant stimulus to local businesses. Nearly 59% of this expenditure occurs in the Adelaide region, followed by the Outer Adelaide region (23.8%).

	Raceday Income (\$mil)	Non-Raceday Income (\$mil)	Overnight Accommodation (\$mil)	Fringe Event Spending (\$mil)	Additional Entertainment (\$mil)	Merchandise & Retail (\$mil)	Transport (\$mil)	Fashion Spending (\$mil)	Total Off-course Expenditure (Raceday) (\$mil)	Total Customer Expenditure (\$mil)
Eyre	\$0.90	\$0.36	\$0.09	\$0.02	\$0.05	\$0.05	\$0.10	\$0.05	\$0.37	\$1.63
Murraylands	\$0.61	\$0.38	\$0.14	\$0.05	\$0.09	\$0.09	\$0.14	\$0.14	\$0.66	\$1.65
Northern	\$0.62	\$0.13	\$0.09	\$0.02	\$0.05	\$0.05	\$0.09	\$0.06	\$0.36	\$1.11
Outer Adelaide	\$2.11	\$0.22	\$2.08	\$3.13	\$1.40	\$0.80	\$0.89	\$1.51	\$9.81	\$12.13
South East	\$1.11	\$0.21	\$0.47	\$0.06	\$0.11	\$0.11	\$0.18	\$0.18	\$0.81	\$2.12
Yorkie and Lower North	\$1.30	\$0.08	\$0.21	\$0.07	\$0.14	\$0.13	\$0.21	\$0.21	\$0.97	\$2.35
Total Regional	\$6.64	\$1.39	\$2.78	\$3.35	\$1.64	\$1.23	\$1.61	\$2.15	\$12.96	\$20.99
Adelaide	\$6.24	\$17.22	\$1.50	\$0.94	\$0.89	\$0.81	\$1.34	\$1.02	\$6.50	\$29.97
Total	\$12.88	\$18.61	\$4.28	\$4.29	\$2.73	\$2.04	\$2.95	\$3.17	\$19.47	\$50.96

* Total numbers may not correspond with individual expenditure categories due to rounding.

EXPENDITURE BY GREYHOUND RACING'S CUSTOMERS

During the 2011/12 racing season, 354 greyhound race meetings attracted attendances in excess of 42,500. These racegoers were responsible for spending nearly \$4.6 million. The vast majority of this impact occurred in the Adelaide region.

	Race Day Income (\$mil)	Non-Race Day Income (\$mil)	Overnight Accommodation (\$mil)	Additional Entertainment (\$mil)	Merchandise & Retail (\$mil)	Transport (\$mil)	Total Off-course Expenditure (Race Day) (\$mil)	Total Customer Expenditure (\$mil)
Eyre	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Murraylands	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Northern	\$0.01	\$0.01	\$0.00	\$0.00	\$0.00	\$0.01	\$0.02	\$0.04
Outer Adelaide	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.01
South East	\$0.02	\$0.01	\$0.00	\$0.00	\$0.00	\$0.01	\$0.02	\$0.06
Yorke and Lower North	\$0.00	\$0.02	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.02
Total Regional	\$0.04	\$0.04	\$0.01	\$0.00	\$0.00	\$0.03	\$0.04	\$0.13
Adelaide	\$1.13	\$4.90	\$0.05	\$0.05	\$0.05	\$0.24	\$0.40	\$4.43
Total	\$1.17	\$2.95	\$0.06	\$0.05	\$0.06	\$0.27	\$0.44	\$4.56

* Total numbers may not correspond with individual expenditure categories due to rounding.

EXPENDITURE BY HARNESS RACING'S CUSTOMERS

During the 2011/12 racing season, just over 226 harness race meetings attracted attendances in excess of 104,800. These racegoers were responsible for spending \$9.05 million. The majority of this impact was related to non-raceday sources. More than 54% of this expenditure occurred in the Adelaide region, followed by the South East region (41.1%).

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	Raceday Income (\$mil)	Non-Raceday Income (\$mil)	Overnight Accommodation (\$mil)	Fringe Event Spending (\$mil)	Additional Entertainment (\$mil)	Merchandise & Retail (\$mil)	Transport (\$mil)	Fashion Spending (\$mil)	Total Off-course Expenditure (Raceday) (\$mil)	Total Customer Expenditure (\$mil)
Eyre	\$0.03	\$0.01	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.03
Murraylands	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Northern	\$0.01	\$0.00	\$0.04	\$0.01	\$0.07	\$0.02	\$0.08	\$0.05	\$0.26	\$0.27
Outer Adelaide	\$0.01	\$0.00	\$0.02	\$0.00	\$0.02	\$0.01	\$0.03	\$0.02	\$0.09	\$0.11
South East	\$0.40	\$1.36	\$0.01	\$0.00	\$0.02	\$0.01	\$0.02	\$0.01	\$0.07	\$3.72
Yorke and Lower North	\$0.00	\$0.01	\$0.00	\$0.00	\$0.01	\$0.00	\$0.01	\$0.00	\$0.03	\$0.03
Total Regional	\$0.45	\$3.28	\$0.08	\$0.01	\$0.11	\$0.04	\$0.13	\$0.08	\$0.45	\$4.17
Adelaide	\$0.41	\$3.26	\$0.20	\$0.03	\$0.29	\$0.10	\$0.39	\$0.21	\$1.21	\$4.88
Total	\$0.85	\$6.54	\$0.27	\$0.04	\$0.41	\$0.13	\$0.52	\$0.28	\$1.66	\$9.05

* Total numbers may not correspond with individual expenditure categories due to rounding.



TOTAL PRIZEMONEY PAID OUT (\$MIL)

	Thoroughbred	Greyhound	Harness	Total
Adelaide	\$21.70	\$4.90	\$4.86	\$31.46
Eyre	\$1.30	\$0.00	\$0.00	\$1.30
Murraylands	\$1.44	\$0.00	\$0.00	\$1.44
Northern	\$0.75	\$0.04	\$0.54	\$1.33
Outer Adelaide	\$2.37	\$0.03	\$0.15	\$2.55
South East	\$2.04	\$0.19	\$0.20	\$2.43
Yorke and Lower North	\$1.27	\$0.00	\$0.03	\$1.30
Total	\$30.87	\$5.16	\$5.78	\$41.81

TOTAL VALUE OF OWNERS AND BREEDERS INCENTIVES PAID OUT (\$MIL)

	Thoroughbred	Greyhound	Harness	Total
Adelaide	\$1.49	\$0.42	\$0.00	\$1.91
Eyre	\$0.09	\$0.00	\$0.00	\$0.09
Murraylands	\$0.10	\$0.00	\$0.00	\$0.10
Northern	\$0.05	\$0.00	\$0.00	\$0.05
Outer Adelaide	\$0.16	\$0.00	\$0.00	\$0.16
South East	\$0.14	\$0.02	\$0.00	\$0.16
Yorke and Lower North	\$0.09	\$0.00	\$0.00	\$0.09
Total	\$2.12	\$0.44	\$0.00	\$2.56

TOTAL RETURNS TO OWNERS (\$MIL)

	Thoroughbred	Greyhound	Harness	Total
Adelaide	\$23.18	\$5.33	\$4.86	\$33.37
Eyre	\$1.39	\$0.00	\$0.00	\$1.39
Murraylands	\$1.54	\$0.00	\$0.00	\$1.54
Northern	\$0.80	\$0.04	\$0.54	\$1.39
Outer Adelaide	\$2.53	\$0.03	\$0.15	\$2.71
South East	\$2.18	\$0.21	\$0.20	\$2.58
Yorke and Lower North	\$1.35	\$0.00	\$0.03	\$1.38
Total	\$32.97	\$5.61	\$5.78	\$44.36

TOTAL NUMBER OF RUNNERS

	Thoroughbred	Greyhound	Harness	Total
Adelaide	6,567	24,894	11,049	42,510
Eyre	1,235	0	0	1,235
Murraylands	1,394	0	0	1,394
Northern	910	379	1,683	2,972
Outer Adelaide	1,375	748	430	2,553
South East	2,059	2,195	665	4,919
Yorke and Lower North	1,222	0	77	1,299
Total	14,762	28,216	13,904	56,882

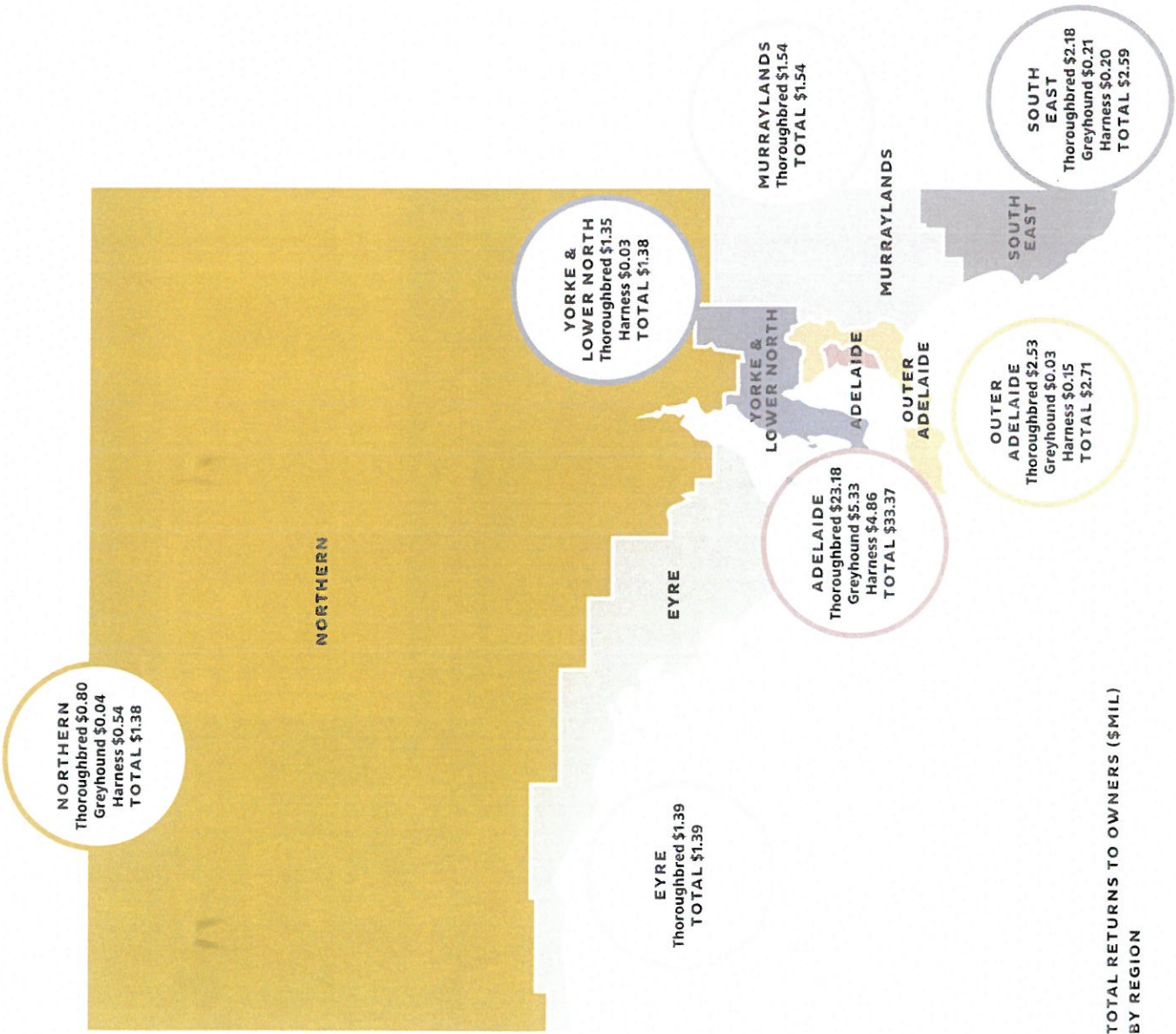
During the 2011/12 racing season, the South Australian Racing Industry provided owners with the opportunity to share in more than \$44 million available in prizemoney and bonuses. Whilst the majority of prizemoney is shared by owners, it is important to note that trainers, jockeys, breeders and drivers also receive financial benefits for various elements of their involvement in racing horses and greyhounds. The owners and breeders incentive schemes for South Australian bred thoroughbreds and greyhounds provide a prominent example of such an opportunity, generating an additional \$2.1 million for the Thoroughbred Industry and \$0.5 million for the Greyhound Racing Industry.

In total, thoroughbred owners race for more than \$32.9 million in prizemoney and bonuses, whilst harness racing owners race for \$5.7 million and greyhounds for \$5.6 million. In considering the prizemoney on offer, it is important to recognise that the cost base of participation in the greyhound racing industry is considerably lower than that of the thoroughbred and harness racing industries.

PRIZEMONEY VS TRAINING COSTS

Previous research in a number of jurisdictions has shown that owners of racing animals do not necessarily expect to achieve a return on their investment. In racing circles, this is often referred to as the 'acceptable loss'. The fact that an 'acceptable loss' concept exists within the industry, is mostly a recognition that ownership is often driven by a combination of business and leisure motivations.

It is important however that owners receive a reasonable level of return to ensure their continued investment in the industry.



TOTAL RETURNS TO OWNERS (\$MIL) BY REGION

WAGERING

Based on total wagering turnover on the SA TAB and product fees received in 2011/12, the wagering on racing product (both local and interstate) yielded Net Wagering Revenues of \$106.8 million.

Wagering activities are a critical source of funding for the South Australian racing industry. Wagering revenue for South Australia is delivered via the following sources:

- + Net Wagering Revenue from Totalisator Agency Board (TAB) Turnover – the TAB operates on a fixed percentage of revenue from all wagering activity on horse and greyhound racing. This amount is referred to as Net Wagering Revenue. In South Australia, this is shared by the racing industry and the TAB operator.
- + Product Fees received from interstate wagering operators, Betting Exchanges and Interstate TAB's – with changes to the landscape of cross-border betting and corporate bookmaker wagering, South Australia receives an amount of money often referred to as a product fee.

In 2011/12 more than \$117 million was wagered with the SA TAB on local racing product. In addition to this, the SA TAB also takes bets on racing from other states and countries which contribute to its Net Wagering Revenue.

Although not forming part of direct expenditure within the South Australian economy, it is important to note that the three codes of racing paid \$9.64 mil to TattsBet, reimbursing it for Race Field Fees paid to other states.

The following table illustrates the total TAB Turnover generated with the SA TAB on local racing product in 2011/12.

TOTAL TAB TURNOVER GENERATED WITH THE SA TAB ON LOCAL RACING PRODUCT (2011/12)

	Thoroughbred (\$ mil)	Greyhound (\$ mil)	Harness (\$ mil)	Total (\$ mil)
Adelaide	53.87	19.61	14.35	87.83
Eyre	3.02	N/A	N/A	3.02
Murraylands	4.49	N/A	N/A	4.49
Northern	1.51	N/A	1.43	2.94
Outer Adelaide	6.20	N/A	0.54	6.74
South East	4.94	2.13	0.72	7.79
Yorke and Lower North	4.30	N/A	0.06	4.36
Total	78.83	21.74	17.10	117.17





COMMUNITY AND SOCIAL BENEFITS

The South Australian Racing Industry plays an important role in the social and environmental dimensions of the sport of racing through its community activities on both raceday and non-racing periods throughout the year. This contribution to community social benefit enhances both individual and community well-being throughout South Australia.

The economic activity generated by the South Australian Racing Industry complements the social and environmental impacts, particularly in regional areas where racing events and racing's facilities foster social cohesion and provide benefits for a broad range of people and community organisations.

Racing and non-racing events attract community members, independent of socio-economic status, age or gender. This is highlighted within the racing industry throughout South Australia, where racing is a profession, a sport, a hobby, a volunteer and a leisure activity.

The development of social and environmental initiatives has had a positive impact within the communities where racing exists in terms of family socialisation, and with regard to supporting health, education, employment and environmental practices. However, maintaining and building the trust and respect of the communities in which Racing Clubs operate is also extremely valuable.

The implementation and communication of social and environmental initiatives play an important role in managing community perceptions, and in doing so, protect and enhance racing's image and reputation. This in turn provides the industry with a greater opportunity to foster the support of customers, corporates and Government, as well as building pride and increased satisfaction with internal stakeholders.

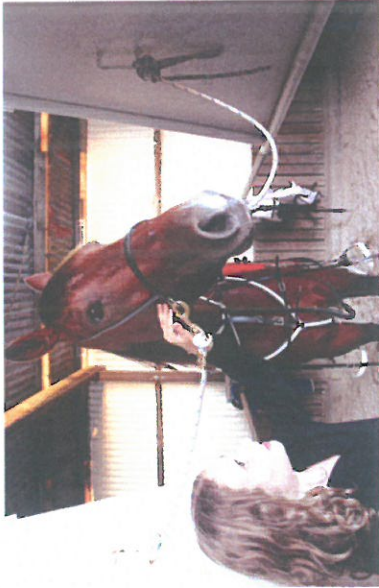
The sport also demonstrates a rich cultural significance and heritage throughout South Australia. The historical elements of the racetracks throughout the state are an important part of the fabric of many local communities. These racecourses and Clubs are the focal point for the achievements of some of South Australia's great sportsman and sportswoman, racing identities, horses and greyhounds.

This racing industry study incorporated a social impact survey which was completed by South Australia's Racing Clubs. The information gathered from this survey provided valuable insights in determining the extent of the social and environmental benefits generated by racing in South Australia.

The evaluation highlighted the racing industry's significant role in the critical areas of:

- + **COMMUNITY BUILDING** – Building inclusive and welcoming communities featuring powerful collaborative partnerships and relationships
- + **FAMILY** – Providing opportunities for family participation in racing and assisting in the development of stronger family relationships
- + **EDUCATION AND TRAINING** – Supporting the education, training and development of participants and Racing Club staff and volunteers
- + **HEALTH** – Commitment to policies that support priority community health objectives
- + **LEISURE** – Providing enjoyable leisure opportunities for hobby owners, trainers and breeders, raceday/night customers and other Racing Club event attendees
- + **EMPLOYMENT** – Creating a major source of employment and a variety of career opportunities for the South Australian community
- + **ENVIRONMENT** – Adoption of many environmentally friendly practices that support Government and community expectations relating to the protection of the South Australian environment

COMMUNITY BUILDING



The three codes of racing in South Australia have adopted practices that engage both individuals and organisations within their communities, particularly in terms of supporting charitable organisations, engaging volunteers and building community partnerships.

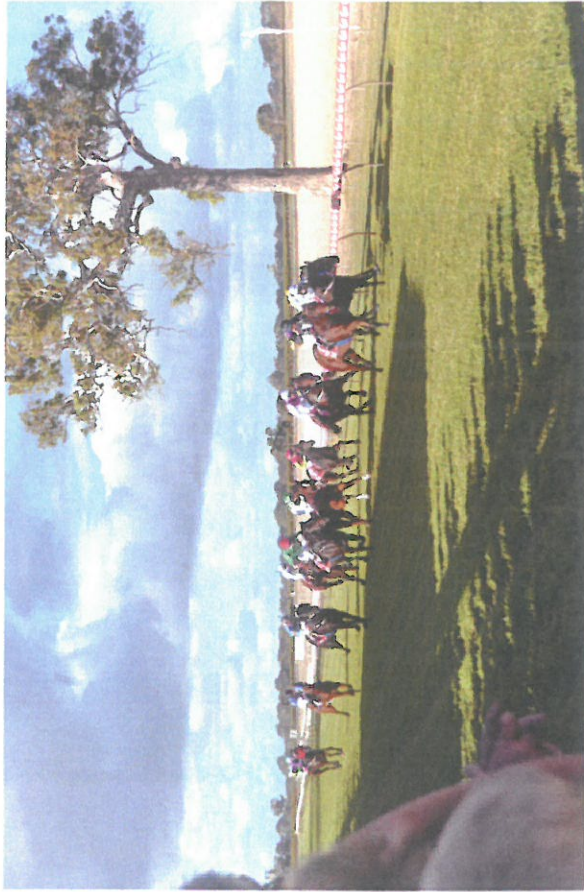
The survey results highlighted the following positive outcomes demonstrated at Clubs:

- Over 160 community organisations or charities are assisted financially by Racing Clubs
- 62 community organisations share Racing Club facilities and resources
- Racing Clubs currently engage more than 1,240 volunteers who assist in various Club and industry related roles
- 7,363 people hold Racing Club memberships who, in turn, invited 6,489 Guest Members to the races

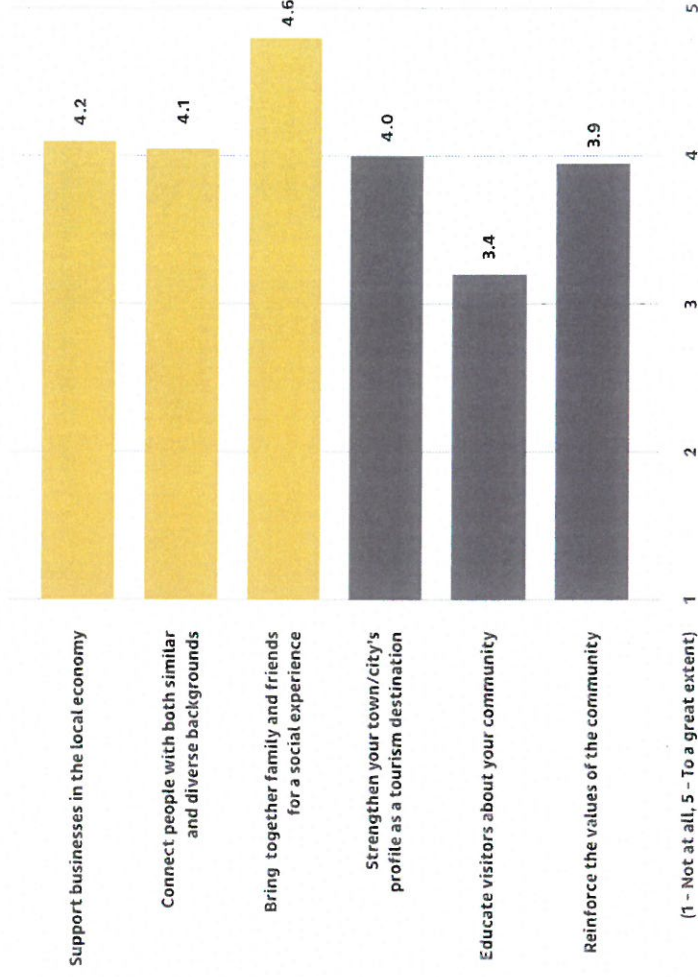
Racing plays an important role in fostering a sense of worth and belonging to a large number of racing volunteers in South Australia (totaling over 1,240 people). These volunteers assume roles in areas such as administration, hospitality, racing operations and general preparations for race meetings. Many of these individuals form part of the Racing Club's committees.

In addition to the previously mentioned community organisations, IER found that Racing Clubs financially assist over 160 community organisations and charities. Club organised functions raise significant funds for community organisations and charities through activities such as raffles and auctions. Furthermore, many regional Clubs engage local community organisations and charities to undertake such activities as supplying food and beverages, operational duties (e.g. gate attendants) and racecourse cleaning. Some of the charitable organisations identified by Clubs include:

- | | |
|---------------------------------|---|
| • St. Johns Cadets | • Advertiser Sunday |
| • Make A Wish | • Mail Foundation |
| • Riding For Disabled | • St. John Ambulance |
| • Equestrian Clubs | • Leukemia Foundation |
| • Boystown | • Riding for the Disabled |
| • Local Hospitals | • Cricket and Golf Clubs |
| • Relay for Life | • Cancer Society/Councils |
| • Shake the Boot | • Agricultural Societies |
| • Pony Associations | • Cubs and Scout Groups |
| • Greyhounds as Pets | • Ronald McDonald House |
| • Mary Potter Hospice | • Locals Schools |
| • Royal Adelaide Hospital | • McGrath Foundation |
| • Intensive Care Unit | • Breast Cancer Foundations |
| • Kinder Gyms and Parent Groups | • Sporting Clubs e.g. Colts Football Club, Tennis Clubs |
| • Rotary and Lions Clubs | • Tourism Associations |
| • Field Days | • Community Lifestyles |
| • Variety Clubs | • Blind Sporting Council |
| • Safe Swimming Committee | • Royal Society for the Blind |
| • Premier's Games Appeal Dinner | |



COMMUNITY ENGAGEMENT WITH SOUTH AUSTRALIAN RACING



The social impact survey asked Clubs how much they believed racing in their town or city has the ability to engage with the community from a social cohesion, education and business perspective. As the chart illustrates, all indicators were positive, particularly significant in the areas of racing's ability to 'bring together family and friends for a social experience' (4.6), to 'support businesses in the local economy' (4.2) and to 'connect people with both similar and diverse backgrounds' (4.1).



SUPPORTING FAMILY RELATIONSHIPS

The three codes of racing in South Australia are very proactive in engaging with families. Thoroughbred Racing SA has recently established the 'Stable Stars Kids Club'. The Club is open to children aged between 3 and 11 years of age. Every child in the Club receives their own membership badge, welcome letter, events calendar and Stable Stars Newsletter. In addition to this, the members of the club are welcome to attend a range of family events throughout South Australia. Children are entertained by Camp Australia who treat Stable Stars Members, and their friends, to hours of supervised fun at the racetrack.

The South Australian Harness Racing Pony Association, which is located at the SA Harness Racing Club at Globe Derby Park, has been providing pony harness racing for children between the ages of 6 years to 16 years of age since 1985. The kids ride the ponies in their sulkies and are often invited to conduct exhibition races during the season at Kapunda, Port Pirie, Victor Harbor and the Royal Adelaide Show.

Racing Clubs themselves have increasingly developed activities and facilities that enable families to enjoy a social day at the races. Many Clubs actively promote services and amenities for families including the provision of parent rooms, baby change tables, jumping castles and rides, giveaways and live stage shows. These events have the ability to bring families and friends together to build stronger relationships. The survey revealed a number of positive initiatives which have been developed by Clubs.

Over 96% of Clubs offer attractions or services that support attendance by children. Examples of activities and attractions include:

- + Novelty races on the racetrack
- + Balloon clowns
- + Pony trials
- + Craft activities
- + Face painting
- + Crazy hair decorating
- + Horse racing themed craft
- + Competitions
- + Mask making
- + Easter egg hunt
- + Bead design
- + Brain noodles
- + Jumping castle
- + Horse/Jockey colouring in
- + Active games
- + Tug of war
- + Sand castles
- + Train rides
- + Parachute games
- + Soccer shootout
- + Cricket games
- + Relays and races
- + Footy skills and drills
- + Frisbee golf
- + Junior fashions on the field

Over 35% of Clubs offer special discounts for family group attendance and nearly all Clubs have free entry for children.

Over 26% of Clubs offer events for families and children on non-racedays (e.g. Christmas parties, awards nights, family BBQ events, camps for scouts and children with disabilities etc.)



SHARING FACILITIES WITHIN THE COMMUNITY

Within the context of the limited use of their facilities for racing, the majority of Racing Clubs have engaged with community organisations to share their facilities and resources. Some of the 62 organisations identified by Clubs include:

- + Neighbourhood Watch
- + GAP program
- + Square Trotters Association
- + SA Harness Racing Pony Clubs
- + Charities (Make a Wish)
- + Pony and Equestrian Clubs
- + Boystown
- + Agricultural Societies
- + Historic Vehicles Club
- + Riding for the Disabled
- + Rotary and Lions Clubs
- + Sports Clubs
- + Primary and Secondary Schools
- + Yoga Clubs
- + Dragon Boat Racing
- + TAFE
- + SA Bookmakers League
- + KESAB Environmental Solutions
- + Scouts
- + Community Caterers
- + St. John Ambulance
- + Athletics' Clubs
- + Variety Clubs
- + Apprenticeship organisations
- + Volunteer Fire Brigade (CFS)



EDUCATION AND TRAINING

Racing Clubs and participants directly employ staff on a full-time, part-time and casual basis. Club employees are involved in administration, the conduct of raceday and other non-raceday tasks. As part of their commitment to delivering an enjoyable experience for racing participants and customers, Racing Clubs have adopted a number of initiatives.

- On average, each Club has approximately two members of their staff participating in further education, career development and training programs each year
- Over 60% of Clubs have policies and practices in place to teach and encourage responsible gambling
- 18% of Clubs have partnerships with primary, secondary, trade and tertiary institutions
- Over a quarter of Clubs (26%) have placements available for work experience students

Members of the community looking for a career in the racing industry as a jockey, have access to the highly successful SA Apprentice Academy. The objectives of the academy are to educate apprentices in all facets of race riding and the broader racing industry. As well as teaching race riding, the academy also provides mentoring support and assistance in areas such as financial planning, taxation, public speaking and raceday operations.

The SA Apprentice academy is well recognised throughout Australia for producing quality race riders such as Kieran McEvoy, Dwayne Dunn, Steven Arnold, Clare Lindop and Matthew Neilson. Based at the Morphettville Horse Skills Centre, the course is fully funded by TRSA and is run in conjunction with TAFE and commenced operations more than 20 years ago. On average 20 – 25 apprentices complete the course each year with graduates progressing to become successful jockeys, track-riders and horse trainers.

The racing industry has the ability to offer modestly skilled and underprivileged members of the community the opportunity to involve themselves in meaningful pursuits. Many stables, kennels and breeding farms are supported by volunteers and employees on the minimum wage. Their input not only provides valuable support to the trainers and breeders in South Australia, but also fosters a sense of pride, confidence and achievement within those individuals.



PROMOTING HEALTHY RACING CLUB ENVIRONMENTS

Following trends observed at many other sporting events, customers are increasingly seeking healthier food and beverage options when enjoying a day or night at the races. South Australian Racing Clubs are committed to providing a healthy environment for their participants and customers.

Examples of practices identified at Racing Clubs include:

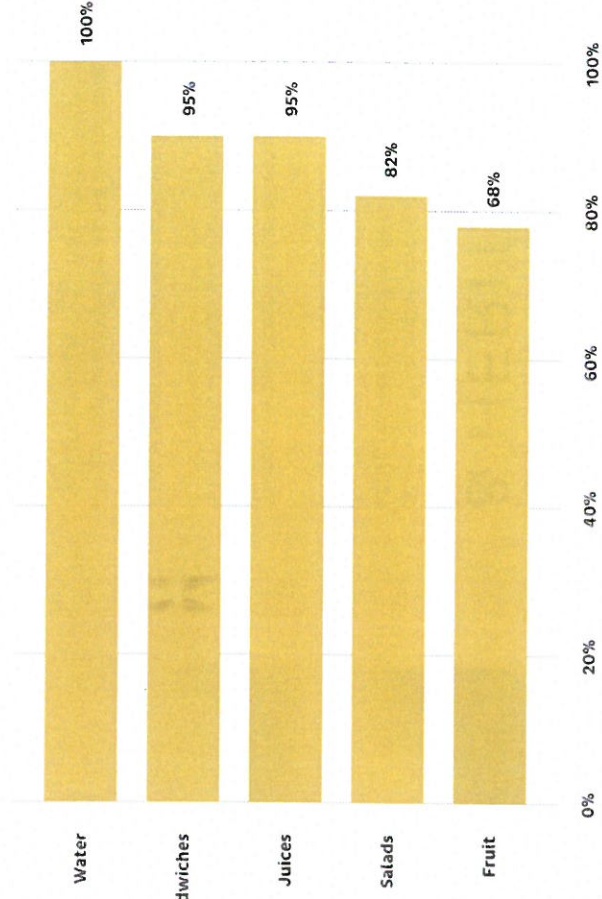
- + Over 92% of Clubs provide healthy choice options for both racing participants and customers
 - + 89% of Clubs do not allow alcohol to be brought into the venue - to ensure responsible consumption of alcohol
 - + Clubs have policies and practices in place to encourage responsible consumption of alcohol
 - + Clubs have policies and practices in place to reduce the consumption of tobacco:
 - + Over 43% of Clubs have non-smoking areas
 - + Over 44% Clubs have policies and practices in place to reduce the risk of skin cancer - examples include access to shaded areas (100%), advertising messages (36%) and the sale of sunscreen (18%)
 - + Over 89% of Clubs have trained on-site medical staff available to assist participants, volunteers, staff and customers if required
- Racing Clubs manage major facilities and events involving large numbers of customers. Community and Government expectations of Racing Clubs relating to environmentally friendly practices and policies have led to the adoption of a number of important initiatives that have a positive impact on the South Australian environment.

Racing Clubs are actively implementing policies and practices in key areas that impact on the environment.

These include:

- + Over half of all Clubs have policies in place to save water and re-use or recycle water
 - Examples include:
 - + Recycled water irrigation systems
 - + Rain storage tanks
 - + Better use of fertilizers, management of grassed areas etc.
 - + Wetlands
 - + Greywater usage
- + One in four Clubs (25%) have policies and programs to develop native flora and fauna. Examples include:
 - + Regularly planting trees around the racecourse grounds
 - + Maintaining native flora in wetlands (which is used to propagate specimens for other wetlands around the state and native fauna in wetlands with various marine species)
- + Over 54% of Clubs have programs in place to reduce or re-use resources and recycling of waste such as glass bottles, paper and cardboard, horse waste (bio-bins), ink cartridges, cans and containers

TOP FIVE HEALTHY FOOD CHOICES PROVIDED BY CLUBS



CLUB HISTORY & HERITAGE

Close to 60% of Racing Clubs throughout South Australia actively promote the history and heritage elements of their Club. This is an important aspect of racing as many of the Clubs have a long and rich history.

The initiatives that Clubs have adopted record the history and convey the excitement of racing in their community to both visitors and locals. A number of examples include:

- Hall of Fames to acknowledge horses/greyhounds, participants and associates
- Promoting Club anniversaries e.g. 150 years of racing at Penola Racing Club
- Restoration and maintenance of racecourse buildings
- Restoration of memorabilia
- Club historians
- Permanent displays for visitors on both racedays and non-racedays (inc. bus tours)
- Special racedays - "Legends and Reunion Day"
- Promotion through local papers, radio and websites
- Record-keeping of events and race performances
- Black Caviar Exhibition at Adelaide Town Hall
- Compiling Club histories



CASE STUDY GREYHOUND ADOPTION PROGRAM

The Greyhound Adoption Program (GAP) is an initiative of GRSA dedicated to finding homes for greyhounds no longer suitable for racing. GAP commenced in South Australia in 1997, and in that time has adopted over 900 greyhounds to families within the community. In 2011/12 the greyhound industry in South Australia adopted close to 200 greyhounds.

The program itself aims to increase and improve the public's awareness and desire to care for these animals in a loving family environment once their racing careers have finished. The program encourages a positive image of the greyhound to stimulate potential owners and future engagement within the greyhound racing industry in South Australia.

After their racing career, the dogs are prepared by over 30 volunteers, who help the greyhounds to adjust to life as a 'pet'. These volunteers form the backbone of the GAP program. They help out with office roles, as well as events and fundraising responsibilities.

GAP also facilitates a variety of community initiatives. Paws 4 People is one of these programs, wherein volunteers from GAP visit retirement villages, aged-care facilities and hospitals with some of the greyhounds from GAP brightening up the day of some of the elderly and less fortunate.

GAP also has an established partnership with TAFE SA. TAFE SA fosters 20 former racing greyhounds a year, with students from the Veterinary and Applied Science Centre providing them with health checks, vaccinations and dental care. The program gives the students an opportunity to gain valuable practical experience, whilst ensuring the greyhounds are placed in some of the best care available.

GAP recently marked a significant milestone, adopting its first dog to an overseas home. Two year old Ty Takara Tsuzaki.



CASE STUDY

EDUCATING YOUNG PEOPLE ABOUT HARNESS RACING

Education and training is a vital ingredient in the preparation of Standardbred horses. Currently a number of participants in the Harness Racing Industry assist and support students who are undertaking equine and animal husbandry studies at schools, TAFE's and colleges. These harness racing participants mainly help students with the practical elements of their equine studies and provide them with a 'real life' understanding of the day-to-day operations of a racing stable.

The students are exposed to all aspects of training horses - in particular the 'hands on' elements. Students are involved in leading horses, feeding, harnessing, shoeing and confirmation, washing and brushing horses. Most students work for an eight week period - for five hours, five days per week.

After an eight week period the students have learnt much of the basic knowledge and skills that relate to a typical harness racing stable environment. The students gain an appreciation of the hard work that participants contribute to their stables, a love of the horse and the manner in which all horses can be different in many ways.

The South Australian Harness Racing Industry believes that educating younger generations who may not have the advantages of 'hands-on' involvement in the industry is vital, as it can increase pathways into the industry along with improved opportunities for employment.

Such education programs can also serve to enhance the image and raise the profile of harness racing. Many of these programs have been attractive to women, who have progressed to become successful reinswomen within the industry.



CASE STUDY

SOUTH AUSTRALIAN JOCKEY CLUB - RAISING MONEY FOR CHARITY

Thoroughbred racing provides the perfect environment for charities to raise much-needed funds from potential and existing donors. Many charities partner with racing in South Australia to increase their profile, increase the awareness of their partners and activate fundraising activities.

The South Australian Jockey Club (SAJC) has an extensive list of charities that they support. The charities range across several different categories, aiming to reach as much of the community as possible:

HEALTH ORGANISATIONS/ CHARITIES

- The McGrath Foundation
- The Cancer Council
- Autism SA
- National Breast Cancer Foundation
- Paraquad SA
- Womens & Childrens Hospital
- Flinders Medical Centre

CHILDREN/ YOUTH CHARITIES

- Our Lady of Grace Catholic School
- Divas Can Do For Kids
- Westfield Charity Golf Day for Can Do For Kids
- Youth Opportunities
- Immanuel Primary School

SPORTING CLUBS/ CHARITY EVENTS

- Premiers Games Appeal Dinner
- Adelaide United
- Blind Sporting Council
- Whyalla Police Golf Day
- Pembroke Old Scholars Cricket Club
- Meningie Football Club
- National Jockey's Trust

The SAJC has recently donated over \$20,000 in cash and in-kind support to various charities. These charity donations are made through various avenues such as donating items to charity dinners (often in the form of corporate hospitality tickets and race names), as well as holding race days for the charities, offering functions at charity rates and giving the charity a chance to raise their own funds at the event.

Racing's ability to partner with charities creates a win-win environment, whereby the charity can engage in fundraising opportunities and racing has the ability to build a stronger connection with the community and introduce new customers to the sport.



The economic value of the racing industry in the Eyre region is \$7.99 million.

REGIONAL SUMMARIES

EYRE REGION

- ✦ The Eyre region of South Australia takes in ten Local Government Areas, the largest of which is Port Lincoln. The population of the Eyre region is 34,448 (2011 Census) with the largest Local Government Areas (LGA) being:
 - + Port Lincoln - 14,519
 - + Lower Eyre Peninsula - 5,014
 - + Ceduna - 3,662
- ✦ There are a total of 7 Racing Clubs operating in the region, six of which are Thoroughbred Clubs and one harness Club.
- ✦ The racing industry in the Eyre region is responsible for generating more than \$7.99 million in value-added contribution to Gross State Product. This equates to 2.0% of the total impact generated by the South Australian Racing Industry.
- ✦ The economic impact generated by the racing industry in this region is responsible for sustaining more than 77 full-time equivalent (FTE) jobs.
- ✦ With nearly 900 individuals participating in the racing industry as an employee, volunteer or participant, it is estimated that nearly 1 in every 28 adults has a direct employment or participant involvement with the racing industry in the region.
- ✦ The majority of activity in the region is generated by thoroughbred racing.

*Almost
900 people
participate
in the racing
industry in the
Eyre region -
approximately
1 in every
28 adults.*

At a glance

7 Racing Clubs

THOROUGHBRED 6
HARNESS 1

20 Race Meetings

THOROUGHBRED 20

139 Races

THOROUGHBRED 139

596 Racing Club Members

THOROUGHBRED 596

12,625 Attendances

THOROUGHBRED 12,625

PARTICIPANT TYPE (NUMBER OF)

	Thoroughbred	Greyhound	Harness	Total
Breeders	34	0	2	36
Breeders Staff	10	0	0	10
Owners & Syndicate Owners	366	44	19	429
Trainers	26	2	3	31
Trackriders/Stablehands	67	N/A	3	70
Participants in Producing Racing Animals	503	46	27	576
Full-Time Club Staff	8	0	0	8
Part-Time Club Staff	3	0	0	3
Casual/Contractor Club Staff	175	0	0	175
Club Volunteer	125	0	0	125
Jockeys, Drivers & Apprentices	1	N/A	0	1
Barrier Attendants	6	N/A	0	6
Stewards	2	0	0	2
Participants in Producing the Racing Product	320	0	0	320
Industry Administration Staff	2	0	0	2
Total	825	46	27	898

ECONOMIC IMPACTS

Total	Thoroughbred	Greyhound	Harness
\$0.85m	Spent on producing foals & pups	\$0.62mil	\$0.03mil
\$3.21m	Spent on preparing racehorses & greyhounds	\$3.11mil	\$0.09mil
\$8.86m	Total Direct Expenditure	\$8.71mil	\$0.03mil
\$7.99m	Value Added	\$7.85mil	\$0.06mil
77 FTE	Full-Time Equivalent Employment	75	1

Race Meetings in the Eyre region attract attendances of 12,625 or 2.5% of total attendances at race meetings in SA.

MURRAYLANDS

✦ The Murraylands region of South Australia takes in eight Local Government Areas, the largest of which is Murray Bridge. The population of the Murraylands region is 68,878 (2011 Census) with the largest Local Government Areas (LGA) being:

- ✦ Murray Bridge – 20,210
- ✦ Loxton Walkerie – 11,457
- ✦ Berri and Barmera – 10,790

✦ There are a total of 2 Racing Clubs operating in the region, both of which are thoroughbred Clubs.

✦ The racing industry in the Murraylands region is responsible for generating more than \$14.43 million in value-added contribution to Gross State Product. This equates to 3.6% of the total impact generated by the South Australian Racing Industry.

✦ The economic impact generated by the racing industry in this region is responsible for sustaining more than 137 full-time equivalent (FTE) jobs.

✦ With nearly 750 individuals participating in the racing industry as an employee, volunteer or participant, it is estimated that nearly 1 in every 69 adults has a direct employment or participant involvement with the racing industry in the region.

✦ The majority of activity in the region is generated by thoroughbred racing.

The economic value of the racing industry in the Murraylands region is \$14.43 million.

*Almost
750 people
participate
in the racing
industry in the
Murraylands
region –
approximately
1 in every
69 adults.*

At a glance

2 Racing Clubs
THOROUGHBRED 2

16 Race Meetings
THOROUGHBRED 16

130 Races
THOROUGHBRED 130

267 Racing Club Members
THOROUGHBRED 267

16,833 Attendances
THOROUGHBRED 16,833

PARTICIPANT TYPE (NUMBER OF)

	Thoroughbred	Greyhound	Harness	Total
Breeders	22	20	2	44
Breeders Staff	13	3	0	16
Owners & Syndicate Owners	207	148	25	380
Trainers	34	55	2	91
Trackriders/Stablehands	70	N/A	3	73
Participants in Producing Racing Animals	346	226	32	604
Full-Time Club Staff	5	0	0	5
Part-Time Club Staff	3	0	0	3
Casual/Contractor Club Staff	63	0	0	63
Club Volunteer	34	27	0	61
Jockeys, Drivers & Apprentices	5	N/A	0	5
Barrier Attendants	4	N/A	0	4
Stewards	0	1	0	1
Participants in Producing the Racing Product	114	28	0	142
Industry Administration Staff	1	0	0	1
Total	461	254	32	747

ECONOMIC IMPACTS

Total	Thoroughbred	Greyhound	Harness
\$1.16 mil	Spent on producing foals & pups \$0.98mil	\$0.16mil	\$0.02mil
\$8.55m	Spent on preparing racehorses & greyhounds \$7.11mil	\$0.77mil	\$0.66mil
\$16.02m	Total Direct Expenditure \$14.47mil	\$0.94mil	\$0.68mil
\$14.43	Value Added \$12.99mil	\$0.83mil	\$0.61mil
137	Full-Time Equivalent Employment 123	8	6

NORTHERN

- ★ The Northern region of South Australia takes in twelve Local Government Areas, the largest of which is Whyalla. The population of the Northern region is 76,060 (2011 Census) with the largest Local Government Areas (LGA) being:
 - ★ Whyalla - 22,580
 - ★ Port Pirie and Districts - 17,593
 - ★ Port Augusta - 14,527

★ There are a total of 8 Racing Clubs operating in the region, five of which are thoroughbred Clubs with a further 2 harness Clubs and one greyhound Club.

★ The racing industry in the Northern region is responsible for generating more than \$7.52 million in value-added contribution to Gross State Product. This equates to 1.9% of the total impact generated by the South Australian Racing Industry.

★ The economic impact generated by the racing industry in this region is responsible for sustaining more than 71 full-time equivalent (FTE) jobs.

★ With nearly 1,260 individuals participating in the racing industry as an employee, volunteer or participant, it is estimated that nearly 1 in every 44 adults has a direct employment or participant involvement with the racing industry in the region.

The economic value of the racing industry in the Northern region is \$7.52 million.

Almost 1,260 people participate in the racing industry in the Northern region – approximately 1 in every 44 adults.

At a glance

8 Racing Clubs

THOROUGHBRED 5
GREYHOUND 1
HARNESS 2

47 Race Meetings

THOROUGHBRED 13
GREYHOUND 3
HARNESS 26

348 Races

THOROUGHBRED 94
GREYHOUND 60
HARNESS 194

716 Racing Club Members

THOROUGHBRED 481
GREYHOUND 40
HARNESS 195

27,225 Attendances

THOROUGHBRED 11,585
GREYHOUND 1,640
HARNESS 14,000

PARTICIPANT TYPE (NUMBER OF)

	Thoroughbred	Greyhound	Harness	Total
Breeders	12	7	13	32
Breeders Staff	11	1	3	15
Owners & Syndicate Owners	236	155	266	657
Trainers	21	30	49	100
Trackriders/Stablehands	45	N/A	43	88
Participants in Producing Racing Animals	325	193	374	892
Full-Time Club Staff	0	0	0	0
Part-Time Club Staff	1	0	2	3
Casual/Contractor Club Staff	94	8	8	110
Club Volunteer	157	11	60	228
Jockeys, Drivers & Apprentices	0	N/A	4	4
Barrier Attendants	5	N/A	4	9
Stewards	0	2	0	2
Participants in Producing the Racing Product	257	21	78	356
Industry Administration Staff	1	11	0	12
Total	583	225	452	1,260

ECONOMIC IMPACTS

Total	Thoroughbred	Greyhound	Harness
\$0.51m	Spent on producing foals & pups	\$0.31mil	\$0.05mil
\$3.56m	Spent on preparing racehorses & greyhounds	\$1.57mil	\$0.33mil
\$8.40m	Total Direct Expenditure	\$4.55mil	\$0.42mil
\$7.52m	Value Added	\$4.10mil	\$0.37mil
71	Full-Time Equivalent Employment	39	3

The economic value of the racing industry in the Outer Adelaide region is \$47.01 million.

OUTER ADELAIDE

✦ The Outer Adelaide region of South Australia takes in nine Local Government Areas, the largest of which is Adelaide Hills. The population of the Outer Adelaide region is 162,185 (2011 Census) with the largest Local Government Areas (LGA) being:

- ✦ Adelaide Hills – 39,606
- ✦ Mount Barker – 30,433
- ✦ Alexandrina – 24,055

✦ There are a total of 8 Racing Clubs operating in the region, three of which are thoroughbred Clubs with a further four harness Clubs and one greyhound Club.

✦ The racing industry in the Outer Adelaide region is responsible for generating more than \$47.01 million in value-added contribution to Gross State Product. This equates to 11.7% of the total impact generated by the South Australian Racing Industry.

✦ The economic impact generated by the racing industry in this region is responsible for sustaining more than 445 full-time equivalent (FTE) jobs.

✦ More than 2,740 individuals participate in the racing industry as an employee, volunteer or participant. It is estimated that nearly 1 in every 44 adults has a direct employment or participant involvement with the racing industry in the region.

*More than
2,740 people
participate
in the racing
industry in
the Outer
Adelaide
region –
approximately
1 in every
44 adults.*

At a glance

8 Racing Clubs

THOROUGHBRED 3
GREYHOUND 1
HARNESS 4

40 Race Meetings

THOROUGHBRED 19
GREYHOUND 12
HARNESS 9

274 Races

THOROUGHBRED 147
GREYHOUND 60
HARNESS 67

1,407 Racing Club Members

THOROUGHBRED 1,271
GREYHOUND 39
HARNESS 97

119,666 Attendances

THOROUGHBRED 113,466
GREYHOUND 400
HARNESS 5,800

PARTICIPANT TYPE (NUMBER OF)

	Thoroughbred	Greyhound	Harness	Total
Breeders	127	59	34	220
Breeders Staff	114	9	7	130
Owners & Syndicate Owners	614	264	270	1,148
Trainers	83	104	52	239
Trackriders/Stablehands	163	N/A	45	208
Participants in Producing Racing Animals	1,101	436	408	1,945
Full-Time Club Staff	6	0	0	6
Part-Time Club Staff	3	0	1	4
Casual/Contractor Club Staff	314	1	0	315
Club Volunteer	368	27	26	421
Jockeys, Drivers & Apprentices	15	N/A	13	28
Barrier Attendants	10	N/A	8	18
Stewards	4	0	0	4
Participants in Producing the Racing Product	720	28	48	796
Industry Administration Staff	2	3	0	5
Total	1,823	467	456	2,746

ECONOMIC IMPACTS

Total	Thoroughbred	Greyhound	Harness
\$11.47m	Spent on producing foals & pups	\$9.59mil	\$1.37mil
\$21.58m	Spent on preparing racehorses & greyhounds	\$15.26mil	\$2.53mil
\$52.21m	Total Direct Expenditure	\$43.42mil	\$3.97mil
\$47.01m	Value Added	\$39.16mil	\$3.48mil
445	Full-Time Equivalent Employment	372	33

The economic value of the racing industry in the South East region is \$24.48m million.

SOUTH EAST

- ✦ The South East region of South Australia takes in seven Local Government Areas, the largest of which is Mount Gambier. The population of the South East region is 64,105 (2011 Census), with the largest Local Government Areas (LGA) being:
 - ✦ Mount Gambier – 25,804
 - ✦ Wattle Range – 11,727
 - ✦ Naracoorte and Lucindale – 8,310
- ✦ There are a total of seven Racing Clubs operating in the region, five of which are thoroughbred Clubs with one harness and one greyhound Club.
- ✦ The racing industry in the South East region is responsible for generating more than \$24.48 million in value-added contribution to Gross State Product. This equates to 6.1% of the total impact generated by the South Australian Racing Industry.
- ✦ The economic impact generated by the racing industry in this region is responsible for sustaining more than 230 full-time equivalent (FTE) jobs.
- ✦ With more than 11610 individuals participating in the racing industry as an employee, volunteer or participant, it is estimated that nearly 1 in every 29 adults has a direct employment or participant involvement with the racing industry in the region.

*More than
1,610 people
participate
in the racing
industry in
the South
East region –
approximately
1 in every
29 adults.*

At a glance

7 Racing Clubs

THOROUGHBRED 5
GREYHOUND 1
HARNESS 1

65 Race Meetings

THOROUGHBRED 27
GREYHOUND 26
HARNESS 12

563 Races

THOROUGHBRED 213
GREYHOUND 260
HARNESS 90

1,122 Racing Club Members

THOROUGHBRED 737
GREYHOUND 65
HARNESS 320

26,451 Attendances

THOROUGHBRED 20,371
GREYHOUND 2,080
HARNESS 4,000

PARTICIPANT TYPE (NUMBER OF)

	Thoroughbred	Greyhound	Harness	Total
Breeders	49	11	26	86
Breeders Staff	25	2	6	33
Owners & Syndicate Owners	439	235	295	969
Trainers	49	36	37	122
Trackriders/Stablehands	82	N/A	40	122
Participants in Producing Racing Animals	644	284	404	1,332
Full-Time Club Staff	3	0	0	3
Part-Time Club Staff	4	0	2	6
Casual/Contractor Club Staff	46	5	20	71
Club Volunteer	110	40	20	170
Jockeys, Drivers & Apprentices	5	N/A	7	12
Barrier Attendants	7	N/A	3	10
Stewards	1	3	0	4
Participants in Producing the Racing Product	176	48	52	276
Industry Administration Staff	2	3	0	5
Total	822	335	456	1,613

ECONOMIC IMPACTS

Total	Thoroughbred	Greyhound	Harness
\$2.31m	Spent on producing foals & pups	\$1.63mil	\$0.11mil
\$11.37m	Spent on preparing racehorses & greyhounds	\$4.37mil	\$6.20mil
\$27.25m	Total Direct Expenditure	\$13.25mil	\$2.85mil
\$24.48m	Value Added	\$11.95mil	\$9.99mil
230	Full-Time Equivalent Employment	114	23

YORKE & LOWER NORTH

✦ The Yorke & Lower North region of South Australia takes in six Local Government Areas, the largest of which is Copper Coast. The population of the Yorke & Lower North region is 46,522 (2011 Census) with the largest Local Government Areas (LGA) being:

- + Copper Coast – 13,041
- + Wattle Range – 11,789

✦ There are a total of 3 Racing Clubs operating in the region, two of which are thoroughbred and one harness Club.

✦ The racing industry in the Yorke & Lower North region is responsible for generating more than \$9.58 million in value-added contribution to Gross State Product. This equates to 2.4% of the total impact generated by the South Australian Racing Industry.

✦ The economic impact generated by the racing industry in this region is responsible for sustaining more than 91 full-time equivalent (FTE) jobs.

✦ With nearly 540 individuals participating in the racing industry as an employee, volunteer or participant, it is estimated that nearly 1 in every 66 adults has a direct employment or participant involvement with the racing in the region.

The economic value of the racing industry in the Yorke & Lower North region is \$9.58 million.

Almost 540 people participate in the racing industry in the Yorke & Lower North region – approximately 1 in every 66 adults.

At a glance

3 Racing Clubs

THOROUGHBRED 2
HARNESS 1

16 Race Meetings

THOROUGHBRED 15
HARNESS 1

127 Races

THOROUGHBRED 120
HARNESS 7

355 Racing Club Members

THOROUGHBRED 355

25,560 Attendances

THOROUGHBRED 24,560
HARNESS 1,000

PARTICIPANT TYPE (NUMBER OF)

	Thoroughbred	Greyhound	Harness	Total
Breeders	12	6	10	28
Breeders Staff	5	1	2	8
Owners & Syndicate Owners	90	95	130	315
Trainers	3	13	15	31
Trackriders/Stablehands	4	N/A	17	21
Participants in Producing Racing Animals	114	115	174	403
Full-Time Club Staff	3	0	0	3
Part-Time Club Staff	2	0	0	2
Casual/Contractor Club Staff	14	0	0	14
Club Volunteer	106	0	0	106
Jockeys, Drivers & Apprentices	0	N/A	1	1
Barrier Attendants	5	N/A	3	8
Stewards	0	0	0	0
Participants in Producing the Racing Product	130	0	4	134
Industry Administration Staff	1	0	0	1
Total	245	115	178	538

ECONOMIC IMPACTS

Total	Thoroughbred	Greyhound	Harness
\$1.57m	Spent on producing foals & pups	\$1.39mil	\$0.13mil
\$2.14m	Spent on preparing racehorses & greyhounds	\$0.37mil	\$0.11mil
\$10.63m	Total Direct Expenditure	\$8.58mil	\$0.18mil
\$9.58m	Value Added	\$7.74mil	\$0.16mil
91	Full-Time Equivalent Employment	74	16

The economic value of the racing industry in the Adelaide region is \$290.71 million.

ADELAIDE

- ✦ The Adelaide region of South Australia takes in eighteen Local Government Areas, the largest of which is Onkaparinga. The population of the Adelaide region is 1,181,427 (2011 Census).
- ✦ There are a total of seven Racing Clubs operating in the region, two of which are thoroughbred with two harness Racing and three greyhound Racing Clubs.
- ✦ The racing industry in the Adelaide region is responsible for generating more than \$290.71 million in value-added contribution to Gross State Product. This equates to 72.4% of the total impact generated by the South Australian Racing Industry.
- ✦ The economic impact generated by the racing industry in this region is responsible for sustaining more than 2,577 full-time equivalent (FTE) jobs.
- ✦ With nearly 7720 individuals participating in the racing industry as an employee, volunteer or participant, it is estimated that nearly 1 in every 116 adults has a direct employment or participant involvement with the racing industry in the region.

*Close to
7,720 people
participate
in the racing
industry in
the Adelaide
region –
approximately
1 in every
116 adults.*

At a glance

7 Racing Clubs

THOROUGHBRED 2
GREYHOUND 3
HARNESS 2

569 Race Meetings

THOROUGHBRED 83
GREYHOUND 308
HARNESS 178

5,171 Races

THOROUGHBRED 674
GREYHOUND 3,172
HARNESS 1,328

2,813 Racing Club Members

THOROUGHBRED 2,127
GREYHOUND 283
HARNESS 403

286,904 Attendances

THOROUGHBRED 168,498
GREYHOUND 38,406
HARNESS 80,000

PARTICIPANT TYPE (NUMBER OF)

	Thoroughbred	Greyhound	Harness	Total
Breeders	130	54	107	291
Breeders Staff	52	8	23	83
Owners & Syndicate Owners	2,227	2,124	1,284	5,635
Trainers	100	225	186	511
Trackriders/Stablehands	245	N/A	165	410
Participants in Producing Racing Animals	2,754	2,411	1,765	6,930
Full-Time Club Staff	57	33	4	94
Part-Time Club Staff	7	24	0	31
Casual/Contractor Club Staff	237	61	50	348
Club Volunteer	18	107	10	135
Jockeys, Drivers & Apprentices	39	N/A	32	71
Barrier Attendants	13	N/A	5	18
Stewards	19	3	6	28
Participants in Producing the Racing	390	228	107	725
Industry Administration Staff	23	35	10	68
Total	3,167	2,674	1,882	7,723

ECONOMIC IMPACTS

Total	Thoroughbred	Greyhound	Harness
\$9.31m	Spent on producing foals & pups	\$7.05mil	\$0.66mil
\$44.49m	Spent on preparing racehorses & greyhounds	\$3.58mil	\$15.99mil
\$178.65m	Total Direct Expenditure	\$117.02mil	\$28.04mil
\$290.71m	Value Added	\$196.45mil	\$37.95mil
2,577	Full-Time Equivalent Employment	1,746	335
			496

ABOUT IER

IER is a leading strategic consulting business specialising in the tourism, events and entertainment industries. For over twenty years, IER has undertaken a considerable amount of economic impact evaluation for both private and Government level clients. In particular, IER has specialised in the horse and greyhound racing industries in Australia and New Zealand over this time.

This study constitutes an economic and social impact evaluation of the entire Thoroughbred, Greyhound and Harness Racing Industry in South Australia for the 2011/12 racing season. An understanding of the intricate and sometimes complex flow of money in the racing industry underpins this assessment. IER has recently prepared similar studies for:

- Standardbred and Thoroughbred Racing in British Columbia
- Harness Racing Australia
- Queensland Racing Industry (3 Codes)
- Thoroughbred Racing Industry in Country Victoria
- Northern Territory Thoroughbred Racing Industry
- New Zealand Racing Industry (3 Codes)
- Racing and Wagering Western Australia (3 Codes - WA Government)

ASSOCIATE PROFESSOR BARRY BURGAN

Barry Burgan B Ec (Hons), FINSIA (Fellow) is a Director of Economic Research Consultants Pty Ltd and has extensive experience in the areas of economic and financial assessment and policy advice. He has a background in both the public and private sectors, in academia, and projects in the areas of application of economic policy, economic modelling, regional development and cost/ benefit analysis. He has undertaken a number of similar studies and projects with the Sustainable Tourism Cooperative Research Centre.

Barry has assessed a significant range of special events, with some specific examples including analysis of:

- The economic impact of the 2010 Melbourne Fringe Festival (with Econsearch)
- Analysis of economic impact (CGE modelling exercise) of the 2006 Commonwealth Games on the Victorian economy (with KPMG, 2005)
- Pre-event evaluation of the impacts of the Sydney Olympic Games on the NSW economy (with KPMG)
- Adelaide Festival (1992 and 1996, 2004) for the South Australian Government
- Annual assessment of the Adelaide Fringe, WomAdelaide and Clipsal 500 (over the last 10 years)

Recently, Barry has worked with IER on similar studies for Racing & Wagering Western Australia, Thoroughbred Racing NT, Harness Racing Australia and Country Racing Victoria.

BACKGROUND

BACKGROUND

The three codes of racing, through their peak controlling bodies (Thoroughbred Racing SA (TRSA), Greyhound Racing SA (GRSA) and Harness Racing SA (HRSAA)) have commissioned a study into the size and scope of the racing industry in South Australia. This study represents an update to the previous report completed in 2004.

The 2004 study found that the three codes of racing in South Australia generated \$185 million in value-added contribution to Gross State Product (GSP).

In assessing the size and scope of the industry, this study takes into account a number of the traditional measures adopted by the racing industry, such as foal and pup production, attendances, horse and greyhound training activities and wagering activities. Specifically, the study will deliver a number of key outputs, including:

- **The value of economic output** generated by the racing industry in South Australia
- **The level of employment generated** by the racing industry activities in South Australia
- **The level of participation** in racing industry related pursuits, both professional and non-professional
- **The impacts generated** by the racing industry within a number of regions throughout the state

The study also demonstrates the social and community benefits of the South Australian Racing Industry in terms of education and training, health, leisure, community building and the environment.

DEFINITION OF THE RACING INDUSTRY IN SOUTH AUSTRALIA

For the purpose of this study, thoroughbred, greyhound and harness racing in South Australia is defined as covering the full spectrum of activities associated with the conduct of the racing industry within these codes.

Specifically, it covers the following elements:

- **The production** (breeding related activities) of racehorses and greyhounds
- **The preparation** (training related activities) of racehorses and greyhounds for racing
- **Net revenues generated** by wagering related activities
- **On-course customer expenditure** (including both race-day and non-race-day revenue streams)
- **Off-course customer expenditure** where related to attendance at the races (i.e. accommodation, retail etc.)

This study does not include 'horse and greyhound related industries' outside of the racing industry. As such, any prior studies that included these external industries (equestrian, hobby horses etc.) do not fall within the definition of the 'racing industry' for the purposes of this report.

Throughout the report, data has been presented at the state and regional level. The regional level analysis is based on seven key areas taken from the statistical division framework of the Australian Bureau of Statistics' geographical classification structure.

background

STUDY METHODOLOGY

This study measures the economic activity generated by the three codes of racing in South Australia. In considering the expenditure impact of the racing industry, it is important to consider the complex internal flows of money that exist between different sectors.

Duplicate expenditures have been identified within this framework and excluded from the total expenditure calculations. With this in mind, the key is to identify the final expenditures – ensuring that the same expenditures as they flow between internal racing industry transactions are not counted.

Expenditure impacts generated by the racing industry, typically originate from the following sectors:

- **Participants** – This comprises of those who are responsible for the production and maintenance of the racing animals, particularly trainers, breeders and owners. As mentioned earlier, care must be taken to extricate duplicate flows from these sectors to ensure that impacts are not double-counted.
- **Consumers** – Through the consumption of the racing product as either an entertainment experience or as a betting industry, consumers generate significant levels of expenditure.

The study also excludes major capital expenditure items that have been incurred during the assessment period. As this study is designed to illustrate the annual impact of the industry, major capital investment cannot be included.

The data used within this report has been gathered

- from the following sources:*
- *Racegoat surveys conducted at selected metropolitan and country racetracks over the last five years*
 - *Data supplied by key racing industry stakeholders and entities including: TRSA, GBSA, HRSA, Racing Clubs and participants.*

ECONOMIC METHODOLOGY

The economic methodology used within this study follows three key steps:

1 Gathering Industry Expenditure – This has been explained in more detail previously, however, this is the most important step. A failure to accurately generate the expenditure profile of the industry only leads to a multiplication of this error throughout the latter parts of the economic calculation.

2 Categorisation of industry expenditure into ANZSIC

classifications – The 'racing industry' does not exist within the Australian and New Zealand Standard Industry Classification (ANZSIC) structure. For modelling purposes, it is necessary to allocate direct expenditures to the appropriate industry group. The majority of expenditures are classified within their relevant ANZSIC codes. However the remainder are classified within ANZSIC code 91 – Sports and Recreation Services.

3 Economic modelling – IER has utilised an input-output methodology for the calculation of economic impacts associated with the racing industry in South Australia.

LIMITATIONS OF THIS STUDY

The assessment of industry-wide impacts brings with it inherent challenges. These are outlined below:

➤ The breeding industry is extremely complex and contains a number of different businesses and finance models. IER has consulted industry experts and completed its own primary level research in order to best represent this vital sector. Despite this, the analysis within this report is still largely at an aggregate level. This is because of the inherently difficult nature of extracting financial data from:

- a. A representative of the wide cross-section of businesses and individuals involved in breeding and,
- b. Private individuals and organisations who are under no obligation to provide information.

➤ Whilst sales provide one option for the collection of data relating to breeding activities, the amount of available information about private sales transactions is limited. Therefore, rather than focusing on the financial impacts of sales transactions, this report relies on the expenditure of breeders in producing this animal inventory. If the majority of breeders operate at a profitable/break-even level, this may actually understate the economic impacts contained within this report.

IER believes that the in-depth surveying of a range of breeders, in order to understand the 'per horse/ greyhound' cost of production, is a more robust way of gathering this data.

➤ Any comparisons of the South Australian Racing Industry with ANZSIC sectors is made for indicative purposes only, as racing does not constitute a mutually exclusive sector within the ANZSIC framework.

Disclaimer:

IER has prepared this report for TRSA, GBSA and HRSA, for its sole use and within the scope of work set out in the project terms of reference. Much of the data provided by the industry, in particular the Racing Clubs, has been accepted without audit and in good faith.

We do not assume or accept or owe any responsibility or duty of care to any person other than these three peak racing bodies. We did not, and do not by consenting to publication of this report, assume or accept or owe any responsibility or duty of care to any other person.

BASIS OF EVALUATION

The purpose of this study is to measure the contribution made by the racing industry towards the South Australian economy. In this way, it is a generalised measure of the industry's contribution to the State's economy.

The economic contribution of an industry refers to the contribution that the industry makes in terms of:

- gross state or regional product,
- household income, and
- the employment that these income measures support.

Industries do this in two ways – by the employment and activity it supports directly (and in the industries that depend on it as a customer), and the flow on effects that filter through the economy. The importance of the expenditures generated by an industry in the production process is that they will sustain turnover in local industry, and specifically this will support local jobs and incomes. It is the jobs and incomes that are taken to be the measure of economic impact or benefit (after netting out leaked expenditure on items such as imports).

It is also generally acknowledged that, in addition to the jobs in direct suppliers of services to the production processes of the industry, the production expenditure also has a multiplier effect within the community. In this way, the direct expenditure impact of the racing industry generates a 'flow on impact' on other sectors through the expenditure of wages and purchases of the direct suppliers to the industry.

The use of multipliers, derived from input-output tables, has been a prominent process³ for translating direct created expenditure (a final demand stimulus) of industries or projects into jobs and incomes. In this way, it is able to establish the extent of the flow-on impact generated in the economy, as a result of the racing industry expenditure. There has been some level of academic argument about appropriate models for

converting increases in external expenditure (final demand) into regional economic impacts. The critics of using input-output tables often argue that multipliers are used to overstate the value of an industry – with the term multiplier taken as ratcheting up the value (or overstating the impact). This criticism used to be valid when analysts applied turnover multipliers, but is not the case with the more appropriate use of value added multipliers - which translate the expenditure estimates to a national accounting framework measure with a whole of economy context. Indexed value added multipliers (the value added impact (direct and induced) relative to a dollar of created expenditure) are often less than one. Used correctly multipliers provide a more appropriate measure.

In short, use of these input-output based multipliers allow reporting of the estimated outcomes of the industry in terms of the effect of expenditure or turnover on value added across a regional economy, and in terms of job creation – which is consistent with national accounting frameworks.

It should be emphasised that this methodology – of identifying the local expenditure associated with production by the industry and tracing the expenditure through the rest of the economy – cannot be interpreted as saying that Gross State Product or employment would fall by this amount if the industry somehow did not exist. In the first instance local people would spend their money on other activities and the contribution of those other sectors would rise and replace most or all of that which was previously generated by the racing industry. What this study calculates is the level of direct and induced employment and income that is linked to people choosing to spend their entertainment dollar on racing (after allowing for imports which are used in the production process). This could be considered as being the gross economic impact of the sector, and is therefore a measure of its significance generally if a similar gross impact was

calculated for every other sector of the economy, then the sum of the impacts would be considerably greater than the size of the economy in total.

An alternative methodology would be to measure the net economic impact – which is the extent to which this industry expenditure is supported by revenues that can be considered new to the state. This would include the supply of services by the local industry to racing activities interstate (i.e. serving a visiting mare from another state); it would also focus only on spending by tourists or visitors to the state who attend the races rather than the stimulus created by spending by all attendees where it is associated with engagement with the racing industry. Under this scenario, it would reasonably be expected that some race attendees would attend events interstate if they were not available in South Australia, and that some operators would base their operations interstate if this was the case. Whilst a valid approach, this particular approach (net economic impact) does not fit the purpose of this study.

ACKNOWLEDGEMENTS

IER would like to acknowledge the contribution of the following organisations and individuals:

- Thoroughbred Racing SA
- Harness Racing SA
- Greyhound Racing SA
- South Australian Thoroughbred, Harness and Greyhound Clubs
- South Australian Thoroughbred, Harness and Greyhound Racing Participants
- RISA
- Australian Stud Book
- Magic Millions Sales Pty. Ltd.
- South Australian Thoroughbred Breeders' Association

³ The analysis has been undertaken in a consistent format and with consistent assumptions to evaluations of other projects and studies of the horse and greyhound racing industry. An input-output model, as used herein, is an economy wide model which shows the linkages between

industry sectors in the economy. Therefore the change in economic circumstances (specifically a change in final demand) for one sector of the economy (e.g. through a major project) can be traced through to its effect on other sectors, allowing a more comprehensive look at the effects of the project. It is based on assumptions that all changes in final demand can be met by the economy without constraint. A computable general equilibrium (CGE) model is also an economy wide model and has a similar outcome, but differs from input-output models in that it includes supply side and macro-economic constraints, thereby limiting the extent that the change in final demand will be fully captured in other sectors (because of market limitations).

The labour market is, in effect, the most significant constraining factor. At the national level such constraints will be critical, and as such national impacts are best assessed against this framework. However at a state level, where supply constraints in the labour market are demonstrably small (responded to by immigration) and there are also limited capital market constraints – the estimates of jobs and GSP outcomes are of a similar order of magnitude at the state level. Both models would generally show a project in one region causing a positive effect in that region. A CGE model would show that project causing negative impacts in other regions to heavily offset the gains. In this analysis we are clearly concerned with the impacts at the 'state economy' level.

Tabcorp

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19 October 2016

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TABCORP / TATTS PRESENTATION

Attached is a copy of the presentation in relation to the recommended combination of Tabcorp Holdings Limited and Tatts Group Limited which was announced today.



Fiona Mead
Company Secretary (subject to approval)

Enc.

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Recommended combination of Tabcorp Holdings Limited and Tatts Group Limited

Tabcorp and Tatts to combine to create a world-class, diversified gambling entertainment group

19 October 2016

Disclaimer

This presentation (**Presentation**) provides information in summary form and should be read in conjunction with the announcement in relation to the proposed transaction between Tabcorp Holdings Limited (**Tabcorp**) and Tatts Group Limited (**Tatts**) (the **Transaction**) that was released today. This Presentation does not purport to contain all the information that investors may require in order to make a decision in relation to the Transaction. It contains selected information only. Further information will be contained in additional documents to be released by Tatts and/or Tabcorp.

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Transaction benefits

Tabcorp and Tatts to combine to create a world-class, diversified gambling entertainment group

1 Creates a leading, diversified portfolio of gambling entertainment businesses

- long-dated suite of licences
- well positioned to invest, innovate and compete in a rapidly evolving marketplace
- larger and more diversified earnings base, with a broad national footprint
- well positioned to pursue growth opportunities globally

2 Provides a wide range of benefits for stakeholders and enhances the long-term sustainability of the Australian racing industry

- at least \$50 million per annum in additional funding expected to flow to the racing industry in Australia
- provides a pathway to national pooling for pari-mutuel wagering, subject to regulatory and racing industry approvals

3 Significant value creation expected for both sets of shareholders

- expected to deliver at least \$130 million per annum EBITDA synergies and business improvements, net of benefits to the racing industry
- expected to be EPS accretive (before significant items) and value accretive for both Tabcorp and Tatts shareholders
- Combined Group expected to target a dividend payout ratio of 90% of NPAT before significant items and amortisation of the Victorian Wagering and Betting Licence
- Combined Group expected to undertake a share buyback of \$500 million, post implementation of the Transaction and subject to Board approval and market conditions

4 Greater scale and strong balance sheet position

- combined pro forma enterprise value of approximately \$11.3 billion¹, revenue of over \$5 billion and EBITDA of over \$1 billion²
- balance sheet strength better facilitates growth and potential capital management opportunities – Combined Group intends to have an investment grade credit rating

5 Complementary businesses, delivering a winning offer for customers

- combines the best of both businesses to support investment and innovation, including best-in-class digital products
- supports an enhanced range of products and experiences across each of our channels and products

Notes:

1 Based on the closing share prices of Tabcorp and Tatts as at 17 October 2016, being the last trading day prior to the announcement of the Transaction and pro forma net debt of the Combined Group as at 30 June 2016

2 Based on reported FY 2016 revenue and EBITDA for Tabcorp and Tatts. Excludes the impact of synergies and business improvements

Transaction summary

Tabcorp and Tatts have entered into an Implementation Deed to combine the two companies

Structure	<ul style="list-style-type: none"> • Tatts shareholders to receive 0.80 Tabcorp shares plus 42.5 cents cash for each Tatts share held <ul style="list-style-type: none"> – Tatts intends to pay its shareholders a fully-franked special dividend of 20 cents per share (subject to the availability of franking credits) immediately prior to implementation of the Transaction in lieu of part of the cash consideration. A fully-franked dividend of 20 cents per share would have approximately 8.6 cents per share of franking credits attached¹ • Transaction to be implemented via a Tatts Scheme of Arrangement
Combined Group	<ul style="list-style-type: none"> • World-class, diversified gambling entertainment group • Combined Group pro forma enterprise value of approximately \$11.3 billion² and expected to be an ASX50 company • Tabcorp and Tatts shareholders will own approximately 42% and 58% of the Combined Group, respectively³
Board and management composition	<ul style="list-style-type: none"> • Board will be comprised of the existing Tabcorp Directors with Paula Dwyer as Chairman • David Attenborough will be Managing Director and Chief Executive Officer of the Combined Group and Damien Johnston will be Chief Financial Officer • Tatts Chairman Harry Boon will join the Board of the Combined Group as a Non-Executive Director
Key approvals and Transaction timing	<ul style="list-style-type: none"> • Obtaining competition, regulatory and other approvals • Tatts shareholders approving the Tatts Scheme of Arrangement • Obtaining Court approval for the Scheme and an independent expert concluding the Transaction is in the best interests of Tatts shareholders • Other conditions as set out in the Implementation Deed (appended to the Transaction announcement) • Completion expected mid-2017
Board and shareholder support	<ul style="list-style-type: none"> • Transaction is unanimously recommended by the Boards of Tabcorp and Tatts⁴ • AustralianSuper, one of Tatts' largest shareholders, has indicated that it intends to vote its Tatts shares in favour of the Transaction, in the absence of a superior proposal and subject to there being no material adverse change in circumstances

Notes:

- 1 Whilst Tatts estimates the special dividend will be 20 cents per Tatts share, under the Implementation Deed Tatts is able to pay a special dividend of up to 25 cents per share (subject to the availability of franking credits)
- 2 Based on the closing share prices of Tabcorp and Tatts as at 17 October 2016, being the last trading day prior to the announcement of the Transaction and pro forma net debt of the Combined Group as at 30 June 2016 (including estimated transaction costs). Excludes impact of synergies and business improvements
- 3 Based on Tabcorp's ordinary shares outstanding of 835 million and Tatts' fully diluted shares outstanding of 1,469 million (including performance rights) as at 18 October 2016
- 4 In the Tatts Board's case, subject to there being no superior proposal and also to an independent expert concluding the Transaction is in the best interests of Tatts shareholders

Overview of the Combined Group

Combination delivers scale to support future growth and an enhanced ability to invest and innovate in a highly competitive and rapidly evolving market

- Combined pro forma enterprise value of approximately \$11.3 billion and market capitalisation of \$8.6 billion^{1,2}
- Combined pro forma FY 2016 revenue of over \$5 billion and EBITDA of over \$1 billion, before synergies and business improvements

Pro forma Combined Group, before synergies and business improvements and any proposed share buyback	Tabcorp	TattsGroup	Combined Group ³
Market capitalisation ¹ (\$ million)	4,084	5,273	8,644
Net debt (\$ million) ² — 30 June 2016	870	1,041	2,626
Enterprise value (\$ million)	4,955	6,315	11,270
Revenue (\$ million) — FY 2016	2,189	2,928	5,117
EBITDA (\$ million) — FY 2016	516	495	1,011
EBIT (\$ million) — FY 2016	337	420	757
Net debt / EBITDA (x) (pre synergies and business improvements)	1.7x	2.1x	2.6x
Gross debt / EBITDA (x) (pre synergies and business improvements)	1.9x	2.2x	2.8x

- Transaction costs are estimated to be approximately \$90 million

Source: Bloomberg as at 18 October 2016, Company filings

Notes:

1 Based on the closing share prices of Tabcorp and Tatts as at 17 October 2016, being the last trading day prior to the announcement of the Transaction

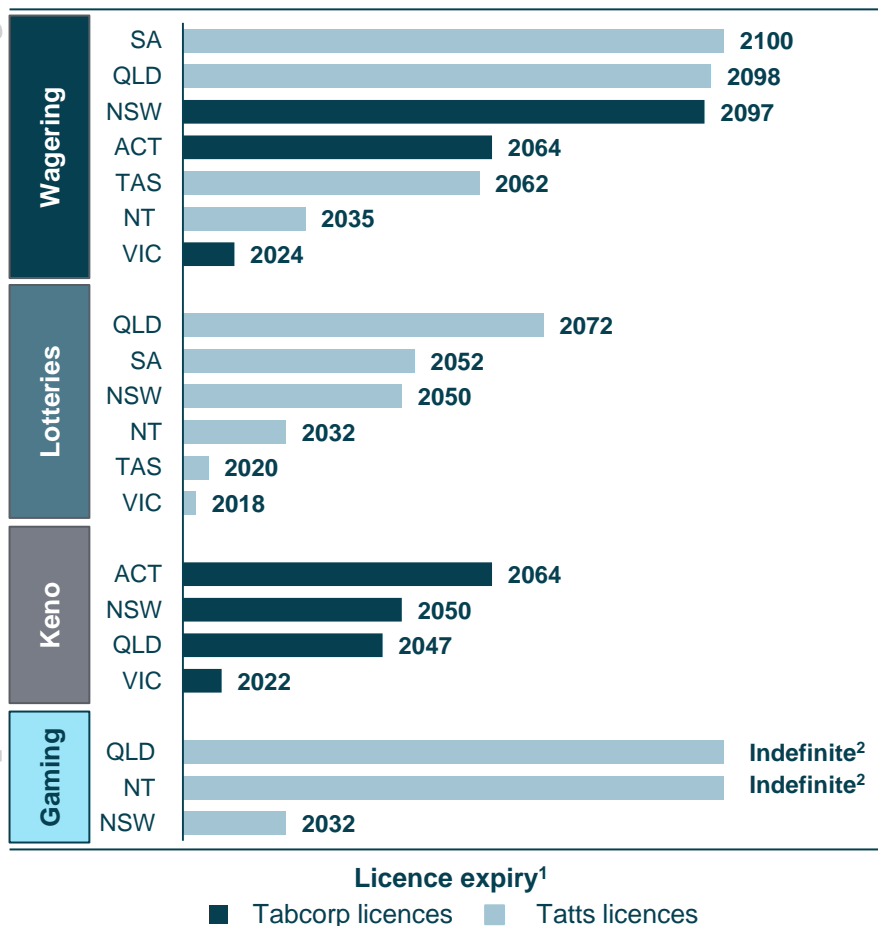
2 Pro forma net debt of the Combined Group as at 30 June 2016 (including estimated transaction costs of \$90 million) adjusted for cash paid to Tatts shareholders under the Transaction of \$624 million based on a cash consideration component of 42.5 cents per Tatts share and Tatts' fully diluted shares outstanding of 1,469 million (including performance rights)

3 Does not account for any differences in accounting treatment, disclosure, inter-group eliminations and acquisition accounting adjustments. Presented before synergies and business improvements

Stronger and more diversified portfolio of businesses

Combination delivers an enhanced portfolio of long-dated licences and a more diverse earnings base

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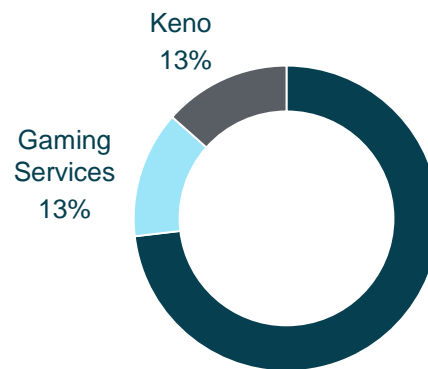
Source: Company filings

Notes:

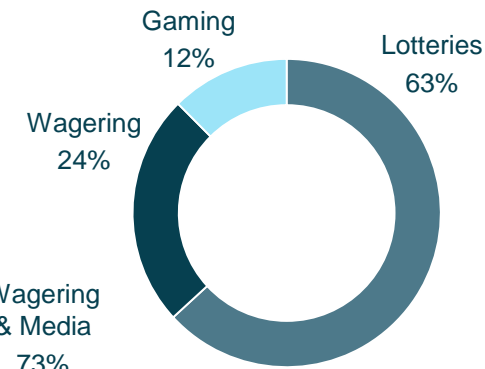
1 Tatts' NT Wagering licence expires in 2035, Tabcorp's NT Wagering licence in 2020; some licences (e.g. Tabcorp's VIC Wagering, Tatts' TAS Wagering) have renewal options post expiry; Tatts' SA Lotteries licence includes SA Keno; both Tatts and Tabcorp are accredited gaming operators in Australia

2 Indefinite rolling renewal capability

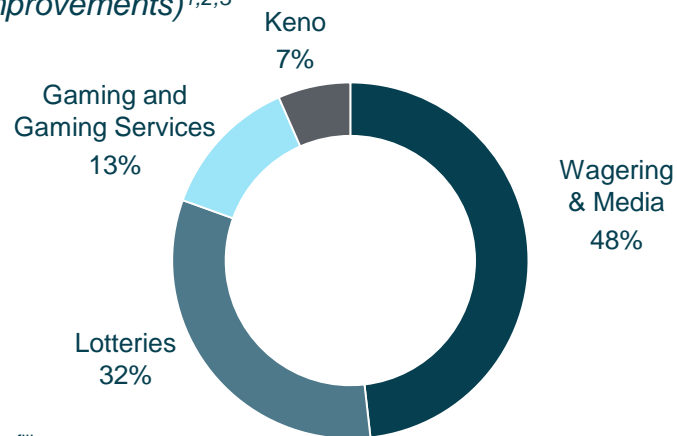
FY 2016 EBITDA—Tabcorp^{1,2}



FY 2016 EBITDA—Tatts^{1,2,3}



Pro forma FY 2016 EBITDA—Combined Group (before synergies and business improvements)^{1,2,3}



Source: Company filings

Notes:

1 Figures expressed on a pre adjustment basis, as currently reported by Tatts and Tabcorp before unallocated corporate expenses, excluding discontinued operations

2 Percentages may not sum to 100% because of rounding




3 Contribution of Lotteries earnings includes Tatts' SA Keno business

Combines two largely complementary businesses

Combines two Australian industry icons, creating a champion of gambling entertainment with a national footprint across a broad suite of leading brands and products

The Combined Group's businesses, brands and jurisdictions

Geographic reach

Business	Key brands	Geographic reach								
		VIC	NSW	ACT	QLD	SA	TAS	NT	WA	Intl.
Wagering	   <small>BACKED BY TABCORP</small> 	✓	✓	✓	✓	✓	✓	✓		✓
Lotteries	    	✓	✓	✓	✓	✓	✓	✓		
Keno		✓	✓	✓	✓	✓				
Gaming and Gaming Services	  	✓	✓	✓	✓	✓	✓	✓	✓	
Media		✓	✓	✓	✓	✓	✓	✓	✓	✓

Source: Company filings, company website

Note:

1 Subject to implementation of the Intecq scheme of arrangement

Significant synergies to be generated from the combination

Expected to deliver at least \$130 million of annual EBITDA synergies and business improvements, net of benefits to the racing industry. Estimated synergies and business improvements valued at approximately \$1.4 billion¹

Opex synergies	<ul style="list-style-type: none"> • Technology integration and systems optimisation • Consolidation of wagering functions • Corporate cost rationalisations • Procurement benefits from increased scale
Wagering performance optimisation under the TAB brand	<ul style="list-style-type: none"> • Fixed odds yield improvement <ul style="list-style-type: none"> – Tabcorp intends to roll-out its leading risk management systems and processes into the UBET business – the larger combined Tabcorp and Tatts fixed odds book further increases the risk management capability of the Combined Group – fixed odds yields in the ACT improved significantly in the 12 months after Tabcorp's acquisition of ACTTAB • Wagering turnover growth <ul style="list-style-type: none"> – alignment of product offering between Tatts' and Tabcorp's wagering operations, including TAB products such as Cash Out and Quaddie Cash Out (subject to regulatory approval) – targeted investment in the UBET retail network based on TAB's market-leading multi-channel offering – combined digital expertise to deliver best-in-class digital products and customer experience – potential further benefits from the increased attractiveness of merged pools, subject to regulatory and racing industry approvals
Keno performance optimisation	<ul style="list-style-type: none"> • Extend the key drivers of the Keno transformation of brand, pooling and digital to South Australia (subject to regulatory approval) <ul style="list-style-type: none"> – following the introduction of similar measures in Victoria during FY 2016, Tabcorp achieved turnover growth of 18%
Capex synergies	<ul style="list-style-type: none"> • It is expected that approximately \$10 million per annum of capex synergies (net of benefits to the racing industry) will be available to the Combined Group through the rationalisation of wagering systems development functions. These are in addition to the \$130 million annual EBITDA synergies and business improvements
Integration	<ul style="list-style-type: none"> • Integration is expected to be completed in approximately two years, subject to the receipt of regulatory approvals • Full run-rate of synergies and business improvements expected in the first full year post integration • Net one-off integration costs and capital expenditure is estimated at approximately \$110 million

Source: Bloomberg as at 18 October 2016, Company filings

Note:

¹ Based on the closing share prices of Tabcorp and Tatts as at 17 October 2016, being the last trading day prior to the announcement of the Transaction and based on Bloomberg consensus FY 2017 EBITDA estimates as at 18 October 2016, implying an EV/EBITDA multiple for Tabcorp of 9.1x, Tatts of 12.4x and an implied weighted average for the Combined Group of 10.7x

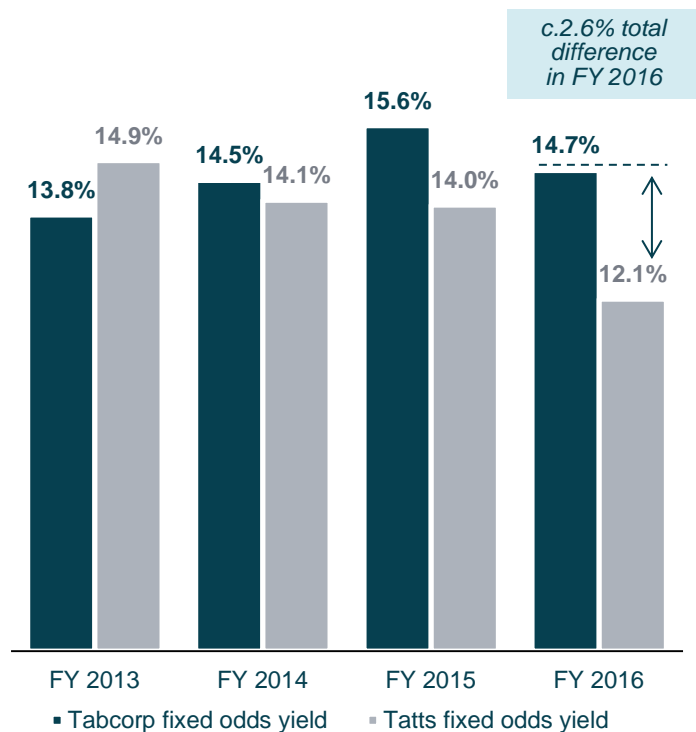
Summary of wagering performance optimisation under the TAB brand

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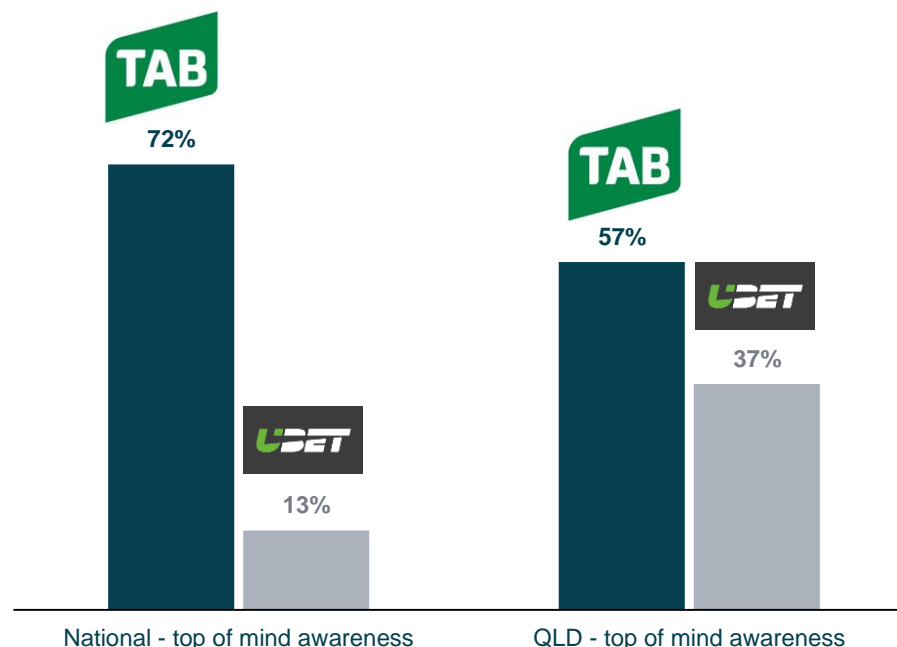
The Combined Group is expected to benefit from Tabcorp's fixed odds yield management capability and market leading TAB brand and product offering

Significant earnings are expected to be available through combining fixed odds book management

The Combined Group is expected to benefit from TAB's market leading brand and product offering



Source: Tabcorp and Tatts management



Source: Brand Health Tracking (FiftyFive5) September 2016

Increased financial scale and balance sheet strength

Combined Group is expected to be an ASX50 listed company, with a strong balance sheet and an investment grade credit rating

- Strong balance sheet
 - increased financial scale and associated balance sheet strength provides an enhanced platform to pursue growth opportunities
- Larger and more diversified earnings base
- The Combined Group will target a gross debt to EBITDA ratio of 3.0x to 3.5x and intends to have an investment grade credit rating
- Expects to undertake a share buyback of \$500 million, post implementation of the Transaction and subject to Board approval and market conditions
- Greater relevance to equity investors
 - Combined Group expected to be one of the largest ASX-listed gambling companies, based on free float market capitalisation¹
- Greater relevance to debt investors
 - improved credit profile given diversification benefits of lotteries and increased scale of wagering business

Source: Bloomberg as at 18 October 2016, Company filings

Note:

¹ Based on the pro forma market capitalisation for the Combined Group of \$8.6 billion and free float market capitalisations of ASX-listed gambling related businesses as at 18 October 2016

Benefits to both sets of shareholders

Combination to deliver significant benefits to both sets of shareholders



Exposure to an enhanced business profile, with a more diversified portfolio of long-dated gambling licences, that is better placed to invest, innovate and compete



EPS accretion (before significant items) and value accretion expected, benefiting from at least \$130 million of annual EBITDA synergies and business improvements, net of benefits to the racing industry



Improved ability to pursue global investment opportunities



Improved financial position and balance sheet strength, with an intended investment grade credit rating and the capacity to undertake capital management



\$500 million share buyback expected, post implementation of the Transaction (subject to Board approval and market conditions)



Expected target dividend payout ratio of 90% of NPAT before significant items and amortisation of the Victorian Wagering and Betting Licence



The Transaction implies a value of \$4.34 per Tatts share (before taking into account the value from synergies and business improvements and any potential re-rating) which represents a premium of 20.8% to the most recent closing price¹, a premium of 18.4% to the 1-month VWAP² and a FY 2016 EV/EBITDA multiple of 15.0x for Tatts³

Source: Bloomberg as at 18 October 2016, Company filings

Note:

1 Based on the closing share prices of Tabcorp and Tatts as at 17 October 2016, being the last trading day prior to the announcement of the Transaction

2 Based on the 1-month volume weighted average price of Tatts shares up to and including 17 October 2016, being the last trading day prior to the announcement of the Transaction

3 Based on Tatts' reported net debt of \$1,041 million as 30 June 2016, FY 2016 reported EBITDA of \$495 million, Tatts' fully diluted shares outstanding of 1,469 million (including performance rights) and the Tabcorp share price as at 17 October 2016, being the last trading day prior to the announcement of the Transaction

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Enhancing the sustainability of the Australian racing industry

The combination creates a strong wagering operator, committed to enhancing the long-term sustainability of Australia's racing industry

- Tabcorp and Tatts are together the largest source of funding for the Australian racing industry, having delivered approximately \$1 billion to the racing industry in FY 2016
- The Combined Group's commitment to investment, national footprint and enhanced operational strength will create a stronger business, and provide a strong financial base to support the racing industry and the livelihood of its many participants and related industries
- The combination is expected to deliver substantial financial benefits to underpin the sustainability of the Australian racing industry
 - provides a more efficient funding model
 - the Transaction is expected to result in at least \$50 million per annum of additional funding to the racing industry, which will flow to participants and related industries across Australia
 - supports increased prize money and provides more capital for investment in racing infrastructure
 - creates broader economic benefits, including in regional areas
- The Combined Group will work to drive industry growth, investing in innovation across products and channels to improve the retail experience and deliver best-in-class digital platforms
 - national footprint offering a broader suite of market-leading products
 - better placed to invest in innovation across an expanded platform
 - provide a pathway to national pari-mutuel pooling, subject to racing industry and regulatory approvals, and an enhanced ability to adopt strategies to address the national decline in pari-mutuel betting
 - Tabcorp's track record of investment and racing industry returns delivers greater certainty of funding to the industry nationally

Enhancing the strength of Australian business partners

The combination is expected to deliver material benefits to Tatts' and Tabcorp's business partners including lottery retail agents, licensed venues and TAB agencies

Lottery retail agents (newsagents and convenience stores)

- Continue to proactively work with retail agents to grow and attract new customers
- Continued commitment to invest in product innovation, customer experience and targeted digital integration

Licensed venues (pubs and clubs)

- Continued integration of digital experience into retail venues to allow pubs and clubs to participate in the growth of digital wagering
- Increased investment in the combined retail network and the venue-based customer experience to deliver an improved offer for licensed venue customers
- Extend the key drivers of the Keno transformation of brand, pooling and digital to South Australia

TAB agencies

- Continued integration of digital experience into retail to allow TAB agencies to participate in the growth of digital wagering
- Continued commitment to invest in customer experience and product initiatives

Enhancing the customer offering

The Combined Group will deliver a winning offer for customers, including an increased range of products and high quality customer experiences across each channel

- The combination is expected to significantly enhance customer experiences across each of the Combined Group's products and channels:
 - better positioned to continue to invest in retail networks and provide compelling customer experiences
 - combined business allows us to provide a broader and more innovative suite of products, as well as an enhanced ability to introduce new customer-led products and omni-channel experiences
 - combined digital expertise to deliver best-in-class digital products and user experiences across the Combined Group's digital channels
 - results in larger fixed odds books and provides a pathway to delivering deeper and more liquid betting pools, increasing the attractiveness of pari-mutuel products to customers
- The Combined Group will continue to deliver world-class customer service, building on each organisation's significant customer service expertise
- The combination of two of Australia's most respected and trusted operators will ensure a strong continued focus on and commitment to responsible gambling

Conclusion

The Transaction creates a world-class, diversified gambling entertainment group with a wide range of benefits to all key stakeholders

Shareholders



The Australian racing industry



Business partners



Customers



Our people



Both Boards unanimously recommend the Transaction



THOROUGHBRED RACING SA

STRATEGIC PLAN 2013-2016

October 2013

THOROUGHBRED RACING SA

STRATEGIC PLAN 2013-2016

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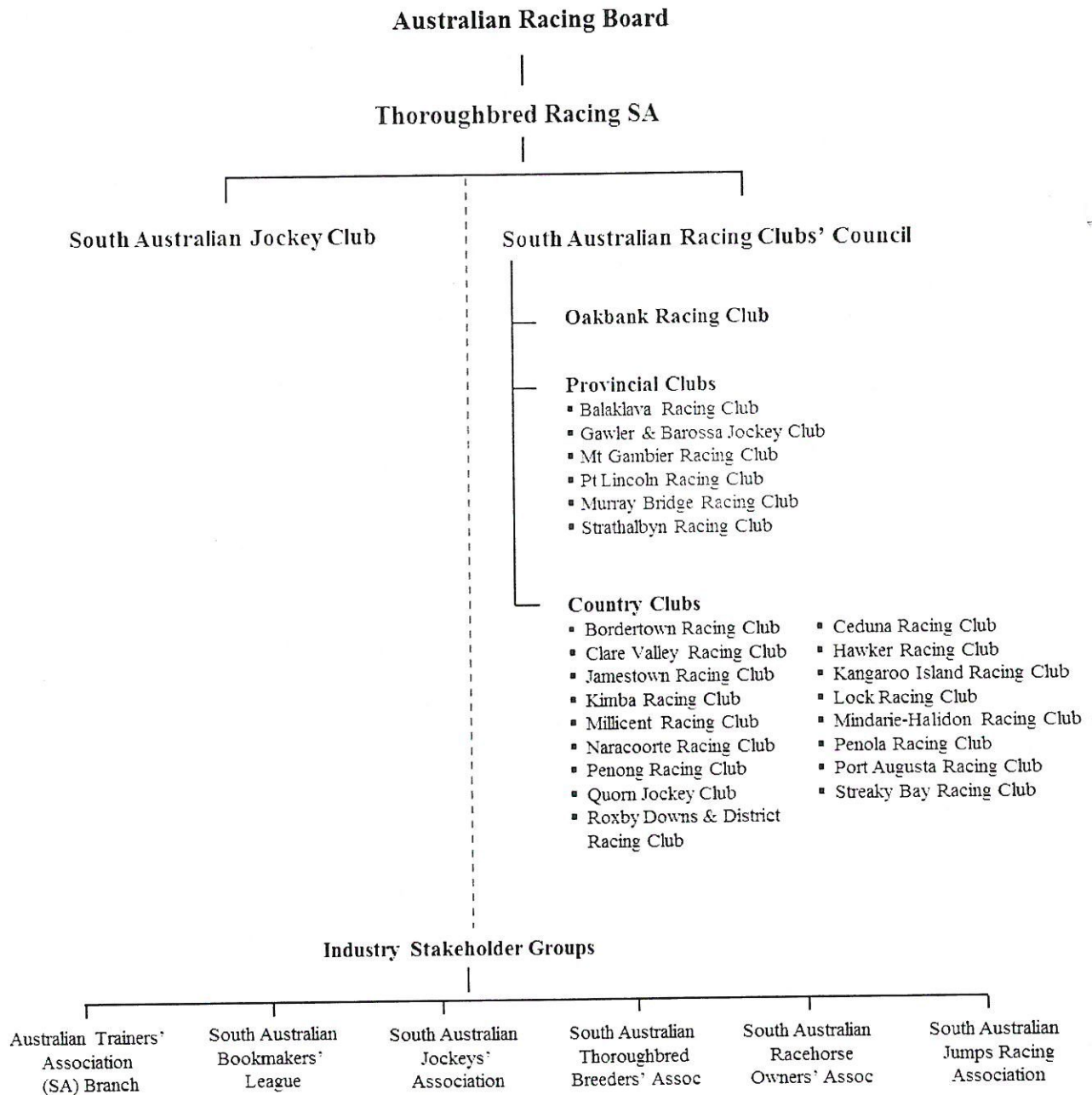
Vision 2016

A vibrant and sustainable thoroughbred racing industry in South Australia contributing to the economic and social fabric of South Australia's lifestyle.

Our Purpose

As the controlling body, provide independent leadership to the thoroughbred racing industry, with an over-riding responsibility to secure its long term financial viability and build a positive public image of thoroughbred racing in South Australia.

SA Thoroughbred Racing Industry Structure



Objectives of Thoroughbred Racing SA Board 2013-2016

Thoroughbred Racing SA, as the independent controlling body for thoroughbred racing in South Australia, will:

1. Maintain high levels of integrity and lead the industry to ensure the long term viability of the thoroughbred racing industry.
2. Lead the industry in a financially responsible manner to ensure the long term financial viability of the thoroughbred racing industry.
3. Develop and execute communications strategies to build and promote a positive public image of the thoroughbred racing industry in South Australia.
4. Increase prize money to encourage horse ownership in thoroughbred racing in South Australia whilst maintaining the over-riding objective of the long term financial sustainability of the industry.
5. Ensure the highest standard of governance, management and compliance across the thoroughbred racing industry in South Australia.
6. Improve the infrastructure and facilities supporting the industry consistent with industry and community standards whilst maintaining the over-riding objective of the long term financial sustainability of the industry.
7. Refine and develop marketing strategies to attract and grow consumers' engagement with thoroughbred racing in South Australia.

Strategies 2013-2016

Objective 1

Maintain high levels of integrity and lead the industry to ensure the long term viability of the thoroughbred racing industry.

Context

Thoroughbred Racing SA operates in a complex stakeholder environment. Its two shareholders are the South Australian Jockey Club and the South Australian Racing Clubs' Council (representing all clubs other than the South Australian Jockey Club). Thoroughbred Racing SA must consider the interests of a wide range of stakeholder groups including owners, trainers, breeders, jockeys and bookmakers. In that context, Thoroughbred Racing SA must be independent in its role as the controlling body for thoroughbred racing in South Australia. The Board's aim is to ensure the long term viability of thoroughbred racing in South Australia, with the highest levels of integrity. It intends doing so by creating a culture of open and transparent decision making.

Strategies

1. Develop strategic and operational plans for Thoroughbred Racing SA.
2. Align the performance targets between Clubs (on- course activities) and Thoroughbred Racing SA (off- course) to build a more cohesive

industry.

3. Provide the appropriate level of people, skills and resources, to ensure the highest levels of integrity are maintained in racing and in out of competition testing.
4. Develop education courses, opportunities and qualifications, for those entering the racing industry.

Measures of Success

- Thoroughbred Racing SA is recognised and respected across the industry.
- Although it has made difficult decisions that have not always been popular, it is respected for its sound leadership, with an open and transparent decision making process.
- Thoroughbred racing in South Australia is considered to have the highest levels of integrity achievable, and controls in place, to maintain participants' and public confidence in racing.
- Thoroughbred Racing SA and Clubs are in agreement as to the future direction of the industry in South Australia.

Strategies 2013-2016

Objective 2

Lead the industry in a financially responsible manner to ensure the long term financial viability of the thoroughbred racing industry.

Context

Thoroughbred Racing SA operates in a challenging environment in seeking to maintain the financial viability of the thoroughbred racing industry. Recent years have been marked by unforeseen events that have significantly impacted revenues including; the loss of a professional punter group, disputes in relation to broadcast rights, and equine influenza. In addition, changing consumer wagering behaviour is challenging traditional wagering revenue streams, threatening Thoroughbred Racing SA revenue, club profitability and returns to participants.

Nonetheless, Thoroughbred Racing SA has achieved strong financial results over the past three years, growing revenue and increasing prize money. However, to maintain its position and achieve growth Thoroughbred Racing SA will need to grow its existing revenue streams and create new revenue sources.

Strategies

1. Ensure reserves of Thoroughbred Racing SA are adequate to deliver the aims of the “strategic plan”.
2. Grants and loans provided to Clubs from Thoroughbred Racing SA are on a commercial basis.
3. Thoroughbred Racing SA to review all Clubs’ annual budgets prior to the commencement of their next financial year.

4. Strengthen Clubs’ financial reporting through the provision of centralised accounting/book keeping services.
5. Continue to monitor the ongoing financial positions of all Clubs.
6. Increase public awareness of the employment opportunities, and career paths available, within the thoroughbred racing industry.
7. Formulate a plan for sustainable jumps racing in South Australia.
8. Investigate opportunities for the development of new revenue streams.

Measures of Success

- Financial reporting is comprehensive and reliable.
- Clubs are financially healthy and stable.
- Growth achieved in income from off-course wagering.
- Growth achieved in investment in the industry from existing and new industry participants.
- Retention of those already employed in the thoroughbred racing industry in South Australia.
- Careers in the racing industry are seen as a viable employment option by a growing number of school leavers.

Strategies 2013-2016

Objective 3

Develop and execute communication strategies to build and promote a positive public image of the thoroughbred racing industry in South Australia.

Context

Through an increased focus on communication Thoroughbred Racing SA has made strong progress in increasing its profile over the past three years. In particular, the 2013 IER Report on the Economic, Social and Community Benefits of the South Australian Racing Industry highlighted that the racing industry is a major contributor to the state across a wide range of areas.

Now, and in the future, the task will be to increase further, Thoroughbred Racing SA's profile as the independent controlling body for thoroughbred racing in South Australia. This will require stronger public relations activities focused on promoting industry-building initiatives. It will also require stronger and targeted relationships and communication with the full range of stakeholders as well as the media and the government. As a state election is due in March 2014, relationships with the government and opposition are especially critical at this time.

Strategies

1. Develop, fund and commence a communication strategy that will convey to industry stakeholders and the public, the role and objectives of Thoroughbred Racing SA and keep them informed on a regular basis.
2. Thoroughbred Racing SA to pursue a vigorous and proactive communication strategy across all target audiences, actively promoting thoroughbred racing.

3. Maintain a close relationship with the State Government and political parties.
4. Thoroughbred Racing SA to collaborate with State Government, local councils and agencies to maximize opportunities for growth and prosperity which will benefit local communities.
5. Commission and communicate outcomes of relevant research into the racing industry and its contribution to South Australia.
6. Communicate the contents of Thoroughbred Racing SA's annual strategy review to shareholders and stakeholders.

Measures of Success

- Government provides financial support for relevant infrastructure projects that assist racing Clubs and their local/regional communities.
- Better understanding by our shareholders and industry stakeholders, of Thoroughbred Racing SA's objectives and operations, reinforcing Thoroughbred Racing SA's position as the governing body.
- A more positive public perception of racing and its importance and relevance to local communities and to South Australia as a whole.
- Retention of those already employed in the thoroughbred racing industry in South Australia.

Strategies 2013-2016

Objective 4

Increase prize money to encourage horse ownership in thoroughbred racing in South Australia whilst maintaining the over-riding objective of the long term financial sustainability of the industry.

Context

Prize money has increased 61% over the past seven years from \$18.4M in 2006-07 to \$29.6M in 2013-14. This is significant as prior to 2006-07 there had been minimal increase in prize money since 1998.

However, Thoroughbred Racing SA's ability to provide further prize money increases has been limited by uncertainty regarding changing revenue streams and the need to provide assistance to clubs as they face increasing operational costs in providing appropriate training and racing facilities.

Maintaining and increasing prize money is necessary to enable the South Australian thoroughbred industry to compete with other racing jurisdictions.

Strategies

1. Thoroughbred Racing SA to maximise revenues in order to provide maximum levels of sustainable prizemoney.
2. Establish and maintain an appropriate prizemoney strategy across all levels of racing

(Metropolitan, Provincial, Country and Country non TAB).

3. Improve recognition of, and provide rewards associated with, thoroughbred horse ownership.
4. Increase prizemoney season on season.
5. Increase horse ownership (racing and breeding) to expand the racing industry's employment opportunities.
6. Increase the number of starters and increase the number of South Australian owners.

Measures of Success

- Prizemoney increased by 10% over 3 years.
- The number of horse owners increased by 10% in 3 years.
- Implementation of an Owners' card.
- Confidence among racing industry stakeholders, that prizemoney levels are sustainable, with potential for growth.

Strategies 2013-2016

Objective 5

Ensure the highest standard of governance, management and compliance across the thoroughbred racing industry in South Australia.

Context

While Thoroughbred Racing SA has led improvements in governance across the industry, this focus must be maintained. Club personnel changes over time require a continued emphasis on compliance and governance, while increasing regulatory requirements (especially in WH&S) place an obligation on Thoroughbred Racing SA and Clubs to improve their performance.

Thoroughbred Racing SA must continue the strong work it has already undertaken to improve the financial reporting, preparation and assistance provided to Clubs. It will continue to provide assistance to Clubs with industry procurement matters.

Strategies

1. Thoroughbred Racing SA review performance against its Strategic Plan annually.
2. Ensure consistent standards of Club governance are maintained across all Clubs.

3. Thoroughbred Racing SA to require all Clubs to forward their annual budget prior to the commencement of their next financial year.
4. Work with Clubs to develop their club plans incorporating long term forecasts.
5. Work with Clubs to ensure WH&S compliance.
6. Continue to provide procurement support to Clubs.

Measures of Success

- Governance standards across all Clubs are, and are seen to be, appropriate.
- Clubs respond positively to the assistance provided to them by Thoroughbred Racing SA.
- Facilities are developed to meet current WH&S standards.
- No material WH&S breaches by Clubs.
- Procurement savings are achieved.

Strategies 2013-2016

Objective 6

Improve the infrastructure and facilities supporting the industry, consistent with industry and community standards whilst maintaining the over-riding objective of the long term financial sustainability of the industry.

Context

The standard of racing infrastructure supporting the industry in South Australia is in some areas below participant expectations and industry standards. The standard of facilities for patrons in some areas are below community expectations, exacerbated by the opening of competing sporting and entertainment venues with modern facilities.

Strategies

1. Conduct an audit of the thoroughbred racing industry infrastructure and capital development requirements.
2. Develop and cost an infrastructure development plan for the industry, consistent with the outcomes of the audit.
3. Work to ensure the provision of appropriate thoroughbred training facilities across South Australia.
4. Upgrade on-course facilities in line with consumer expectations.

5. Continue to assess and review the “racing surface” at all racecourses.
6. Seek the SA TAB’s support in developing enhancements to on- and off-course wagering facilities.

Measures of Success

- An upgrade strategy and programme timetable for racing and training infrastructure has been decided and clearly enunciated.
- A prioritised funding program for infrastructure improvements is providing new and improved facilities at Clubs.
- After a full review, successful implementation of identified required improvements at racecourses.
- Government financial support for relevant infrastructure projects that assist racing Clubs and their local/regional communities.

Strategies 2013-2016

Objective 7

Refine and develop marketing strategies to attract and grow consumers' engagement with thoroughbred racing in South Australia.

Context

Given finite resources it is important for Thoroughbred Racing SA to maximise return on marketing investment on behalf of the industry.

Over the past three years Thoroughbred Racing SA has successfully built "The Races SA" brand.

Thoroughbred Racing SA has recently commissioned a Brand Health Study as it seeks to continue to improve and activate "The Races" brand across all clubs in South Australia.

Ongoing development of Industry sponsored programs to support Clubs and assist in increasing attendance at key events is vital. These include: Fashion at The Races, Stable Stars Kids Club and Eden.

Thoroughbred racing operates in a highly competitive entertainment and sporting market and must continue to drive awareness of, and engagement with, the industry's brand to its target market.

Strategies

1. Develop marketing campaigns that engage the consumer and support key events.
2. Ensure all Clubs develop an understanding of the function, purpose, and benefits of marketing The Races brand within South Australia, and ensure the brand is being consistently implemented and used in accordance with the style guide.

•

3. Continue to target and develop strategies to attract under 35's age group and grow overall race attendance.
4. Support the SA TAB with the expansion of available products for customers, in line with interstate tote operators and wagering providers.
5. Build the image, and increase the number of, 'high quality entertainment racing events' in South Australia.
6. Continue to foster strategic alliances with selected key external agencies and businesses that have the potential to add value to "The Races" in the short and long term.

Measures of Success

- The needs of all major consumers of the thoroughbred racing industry are well understood and strategies implemented are resulting in increases in revenue from all major consumer groups.
- Higher percentage of population regularly betting on thoroughbred racing and attending race meetings, and expanded TAB off-course betting through all channels (agencies/phone/internet).
- Increased attendance figures at thoroughbred racing key events, specifically by the under 35 audience. Quantified with market research on an annual basis.



THE **RACES** 
THOROUGHBRED RACING SA

2016

ANNUAL REPORT

THOROUGHBRED RACING SA LIMITED

ANNUAL REPORT 2016

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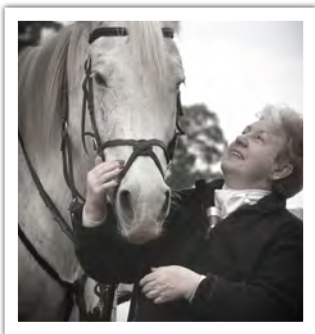
** All racing photos courtesy of Atkins Photography, Fuller Images, Greg Irvine, Sharon Chapman and Todd's Photographics*



Abbey Marie | 2016 Schweppes Oaks
Trainer: Mick Kent | Jockey: Luke Nolan
Photo courtesy of Atkins Photography



Chairman's Report



Frances Nelson QC Chairman

I am pleased to report on yet another successful racing year. I bear in mind that we still face many challenges, and it is critical that we work consistently together to meet those challenges.

Racing Australia

The merger of the Australian Racing Board, RISA and the Australian Stud Book has been completed, and has already resulted in important administrative efficiencies, and indeed financial savings for the racing industry. Racing Australia introduced a Rule, which came into operation on 1 July 2014, whereby a form must be lodged advising the destination of a horse when it retires from racing – for example, breeding or equestrian pursuits, or complete retirement. As a result, Racing Australia has been able to collate all the statistics for the last two years and it is interesting to note that nine out of ten racehorses either move on to other equestrian pursuits, or are retired to stud.

Recently Racing Australia also introduced another new Rule, which came into operation on 1 August 2016, whereby a foal must be registered within thirty days of birth. These two Rules combined enable the national body to track, in an open and

transparent way, a horse from birth to retirement from racing.

I recently represented Racing Australia in Newmarket UK at a symposium convened by Godolphin. The purpose of the symposium was to develop an international approach to the aftercare of thoroughbred racehorses. The innovations to the Rules introduced by Racing Australia, were received very favourably by the other jurisdictions attending the symposium, including the United States of America, the United Kingdom, France, Ireland and Japan. As a result of the week-long symposium, an international forum has been established, to meet annually, and exchange views about retraining of racehorses and aftercare generally. Racing Australia is one of the founding members of that international forum.

Additional Club Funding

We have been once again able to achieve increases in funding to Clubs in Financial Year 2016. While in 2015 we had also addressed this issue, this year we have been able to provide additional Club funding in the amount of \$871,237 and together with last year's increases, an additional \$1,718,000 has been provided to South Australian thoroughbred racing Clubs over the last two years.

Place of Consumption Tax

The Treasurer of South Australia recently announced the introduction of a Place of Consumption Tax. He has given a public assurance that the racing industry will not be disadvantaged by the introduction of such a tax. It does however, have the potential to affect our Betting Operations

Contribution revenue, and I met personally with the Treasurer and I am pleased to say we have had some very useful discussions as to how the industry's position would be protected. Our CEO (Jim Watters) and COO (Nick Redin) have worked with, and have had a number of meetings with Treasury officials. We are hopeful that we can achieve an outcome which will be favourable to racing.

Marketing for the SAJC

In late 2015 it was agreed between the SAJC and TRSA that TRSA work with the Club to take up the role of race meeting marketing on behalf of the SAJC. This will significantly assist the Club financially, and current indications are that our marketing team is producing initiatives which are favourable to the Club in terms of attendance, and generally lifting the profile of Morphettville.

Prize Money Increase

You will see the details in the CEO's report, but I am pleased to record that in addition to increased Club funding, we have been able to increase prize money by a further \$2.627M in FY16. We are conscious that there needs to be encouragement both to owners and trainers, and assistance to Clubs if the industry is to flourish, and further increases to both prize money and Unplaced Starter Subsidies have already been announced for the 2016/17 season.

Apprentice Academy

The South Australian Apprentice Jockey Academy continues to be an outstanding success story, with apprentices within the Academy including riders from Hong Kong, Singapore, Ireland and Norway. Emily Finnegan's success has been outstanding,



Flamberge | 2016 Programmed Durbridge Stakes
Trainer: Peter G Moody | Jockey: Vlad Duric
Photo courtesy of Atkins Photography

culminating in her winning the 2015/16 South Australian Apprentice of the Year Award as well as the Caitlin Forrest South Australian Provincial & Country Apprentice Jockey of the Year title.

We have forged a close relationship with the Hong Kong Jockey Club and Matthew Poon has cemented such, and given rise to their desire to expand the relationship due to the success he has achieved in South Australia, both on and off the track. The Hong Kong Jockey Club's Executive Manager, Racing Development Board (and Headmistress, Apprentice Jockeys' School) Amy Chan, recently spent a week in Adelaide to assess the operation of our Academy and was glowing in her feedback and praise of such.

Acknowledgements

TRSA is proud of its management team, headed so capably by our CEO Jim Watters, our COO Nick Redin, our Chairman of Stewards Johan Petzer, and our Marketing Manager, Michelle Green. Given the amount of work involved in our daily operations, our small team does a commendable job.

Once again I thank all volunteers, at every Club, for their dedication and commitment to racing. Without their contribution it would be difficult to grow the industry and maintain the industry.

Frances Nelson QC
Chairman

Chief Executive Officer's Report



Jim Watters Chief Executive Officer

While our revenue from UBET (SA) was down on the prior year, the continued substantial growth in interstate wagering operators wagering on South Australian thoroughbred racing resulted in Thoroughbred Racing SA (TRSA) posting a sound result for the 2016 Financial Year, with positive signs for the industry in the State. The year's financial highlights were:

- 4.2% growth in total Revenue
- The sixth consecutive year with growth in Revenue
- 18.7% increase in net Betting Operations Contribution (BOC) revenue from interstate wagering operators wagering on SA thoroughbreds
- Prize money distributed, including SABOIS payments, increased by \$2.627M (7.5%)
- \$769K increase in Industry Payments (8.57%)

Key Financial Results

TRSA recorded a deficit of \$43K, before Abnormal Items, for the 2016 financial year. In considering the FY16 result, it is important to do so in the context of the FY16 Budget rather than the prior year's result. The TRSA Board had budgeted for a \$1.742M deficit in the 2016 financial year (as noted in the 2015 Annual Report) with the financial result achieved being \$1.698M ahead of budget. The

decision to budget for a deficit was a deliberate strategy adopted by the Board, as it moved to utilise part of the reserves achieved with the past years' outstanding financial results, in providing increased distributions to Clubs, as well as ensuring further prize money increases.

The sound financial result achieved was after an increase of \$3.395M in distributions to the South Australian thoroughbred racing industry, with increased Prize Money of \$2.627M (7.5%) and an increase of \$871K (9.81%) in payments to Clubs, while there was a decrease in jockeys WorkCover and insurance payments.

TRSA's total Revenue for 2015/16 was up \$2.203M on the prior year, an excellent result when considering the prior year had seen an increase of \$6.91M. Combined revenue from wagering was up \$2.167M (4.33%).

The TRSA Board remains committed to the Club funding model first established in 2009 and further expanded in 2014, and again in FY16. TRSA pays virtually all of the Club raceday operational costs (vision, ambulance, and a number of raceday staff including vets, farriers and barrier attendants), as well as providing various Training Track, Track Usage, Capital and Club Operational Grants.

The additional direct funding to Clubs has seen an improvement in the financial position of several Clubs. This is also reflected in the fact that there was a reduction of \$390K in the balance of current loans (which are secured) by TRSA to thoroughbred racing Clubs.

For the first time the revenue received via UBET (Product Fees and Wagering Tax) is less than 60% of our total revenue, having fallen by 2.67% in FY16. The Thoroughbred Code's

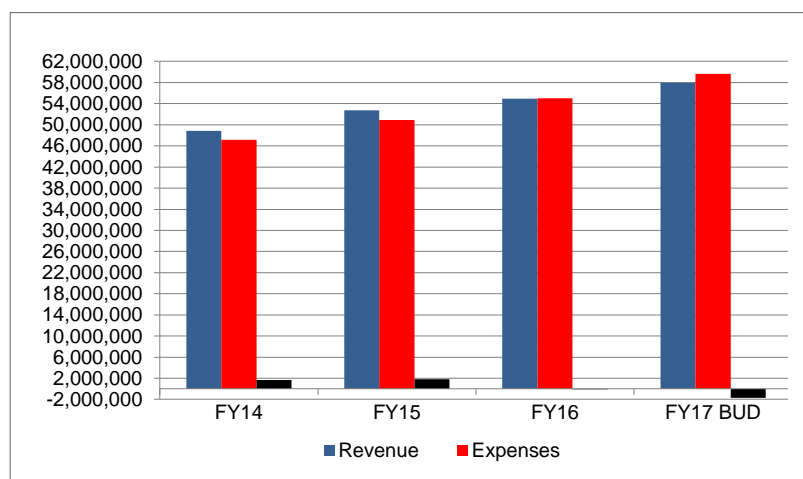
Market Share (the split between Thoroughbreds, Greyhounds & Harness) for 2015/16 was a healthy 70.741%, up slightly on the prior year's 70.686%. This result was particularly pleasing given that for a large part of the year we were still facing the challenge from Greyhounds having fixed odds betting introduced across the board via UBET for the first time.

A major contribution to TRSA's improved financial position over recent years has been the continued substantial growth in the income received from interstate wagering operators by way of BOC (referred to in other States as "Race Fields"). As a small State in terms of population, it is vital if the racing industry is to survive and flourish in South Australia, that we remain relevant and attractive to the wider Australian community as a viable option for their wagering activity. Wagering by South Australians alone is not sufficient to sustain, let alone grow, the South Australian racing industry. TRSA has developed a BOC model which we consider clearly maximises the industry's returns from interstate wagering operators to help sustain the South Australian racing industry, and the employment and financial benefits it provides in the State.

Virtually all of the growth in TRSA's Revenue in FY16 has come from BOC, with the net BOC revenue amount having increased by \$3.065M (18.7%) to \$19.418M. This follows a major increase of \$6.079M (59.2%) in the prior year. In the relatively short period since its introduction in 2008, BOC has now become 35.33% of TRSA's Revenue. The Gross amount received by way of BOC is \$26.691M, however the Industry is required to reimburse UBET for the charges imposed on them by other States' Race Fields for wagering by their customers on various States' racing, which amounted to \$7.273M in FY16.

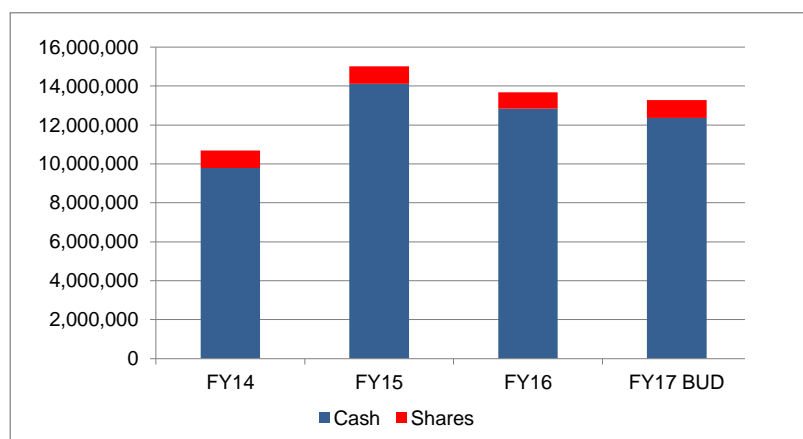
Overall Company Profitability and Reserves

The chart below shows the Company's operating results for FY14 through to FY16 and the FY17 Budget.



	FY14	FY15	FY16	FY17 BUD
Revenue	48,860,553	52,744,253	54,946,952	57,953,011
Expenses	47,175,018	50,928,575	54,990,112	59,675,699
Net Result	1,685,535	1,815,678	(43,160)	(1,722,688)

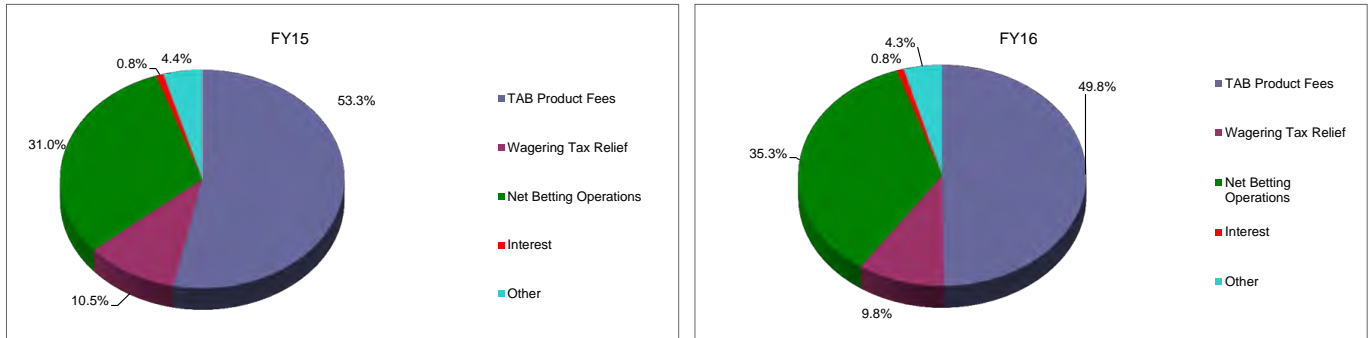
The chart below shows the Company's cash reserves and value of share holdings for FY14 through FY16 and the FY17 Budget.



	FY14	FY15	FY16	FY17 BUD
Cash	9,795,055	14,110,466	12,836,629	12,367,676
Shares	900,428	903,572	844,144	915,600
Total	10,695,483	15,014,038	13,680,773	13,283,276

Revenue

The Charts below show the breakdown for each class of revenue for the last two financial years.



	FY15		FY16		CHANGE	
TAB Product Fees	28,089,605	53.3%	27,359,360	49.8%	(730,245)	-2.6%
Wagering Tax Relief	5,534,112	10.5%	5,366,273	9.8%	(167,839)	-3.0%
Net Betting Operations (BOC)	16,352,710	31.0%	19,417,699	35.3%	3,064,989	18.7%
Interest	434,631	0.8%	429,200	0.8%	(5,431)	-1.2%
Other	2,333,195	4.4%	2,374,420	4.3%	41,225	1.8%
TOTAL	52,744,253		54,946,952		2,202,699	4.2%

FY16 Net Betting Operation Contributions (BOC) is after deductions of \$7.27M (FY15 \$7.38M) relating to charges incurred by UBET SA from other States' Race Fields legislation (which is the equivalent of South Australia's BOC). Under the South Australian Racing Distribution Agreement, is the Agreement between the UBET SA and the three Codes following the sale of the SA TAB (now UBET SA), UBET SA is entitled to recover from the Codes the cost to obtain interstate racing product. Other revenue includes; Screening and International Rights, SABOIS registration fees, industry participants registration fees, calendar advertising and subscriptions (The Races) together with other sundry revenue items.

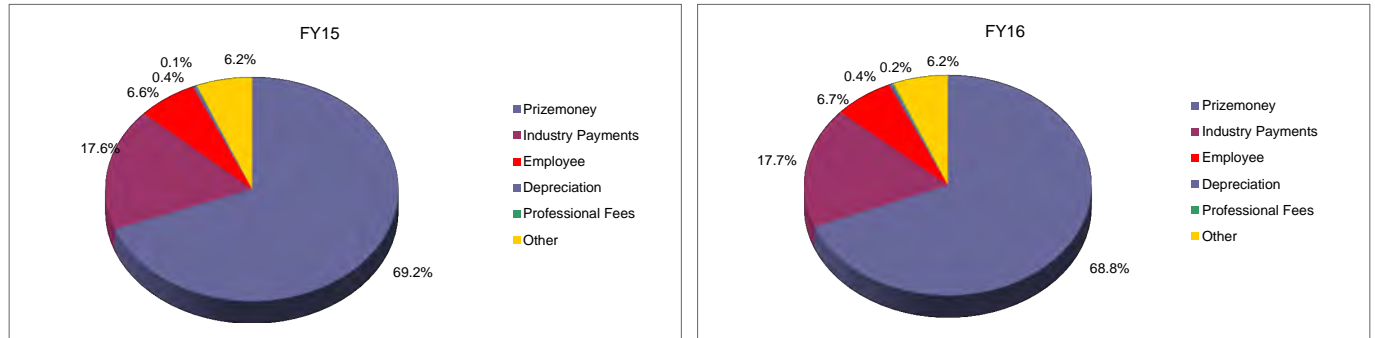
The TRSA Board continues to focus on providing maximum returns to the industry's participants from the revenue generated. This includes; the Clubs who provide the event, the owners who race their horses at each of our race meetings, and all of those who receive their livelihood from racing, more directly so with trainers and their employees, along with the rider group.

As has been highlighted on numerous occasions, while TRSA now directly pays for the bulk of raceday costs, Clubs continue to face increasing costs in maintaining and providing "racing's stage" for raceday, as well

as training facilities. While for several seasons the majority of additional revenue generated was channelled into additional prize money, the Board for the past two seasons has increased the focus on providing additional funding to Clubs by way of Operational and Capital grants. In FY16, grants towards Club Promotion and Operational purposes rose by \$434K (31.6%) while grants for Club Capital and WHS Expenditure increased by \$270K (15.8%). 68.9% of TRSA's Revenue is still distributed by way of Prize Money, and represents 68.8% of total Expenses, with 17.73% of our Revenue distributed through Industry Payments.

Expenses

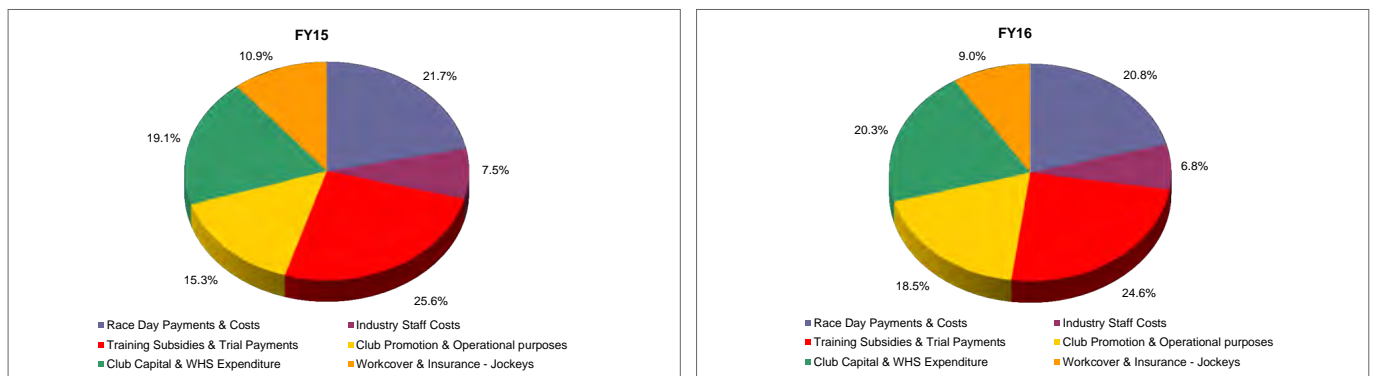
The Charts below show the breakdown of expenses for the last two financial years



	FY15		FY16		CHANGE	
Prizemoney	35,233,053	69.3%	37,860,035	68.8%	2,626,982	7.5%
Industry Payments	8,977,086	17.7%	9,746,807	17.7%	769,721	8.6%
Employee	3,350,557	6.4%	3,699,259	6.7%	348,702	10.4%
Depreciation	190,359	0.4%	194,991	0.4%	4,632	2.4%
Professional Fees	37,649	0.1%	88,740	0.2%	51,091	135.7%
Other	3,139,871	6.2%	3,400,280	6.2%	260,409	8.3%
TOTAL	50,928,575		54,990,112		4,061,537	8.0%

Industry Payments Breakdown

The Charts below show the apportionment of Industry Payments for each expense item for the last two financial years



	FY15		FY16		CHANGE	
Race Day Payments & Costs	1,947,110	21.7%	2,025,149	20.8%	78,039	4.0%
Industry Staff Costs	669,001	7.5%	658,728	6.8%	(10,273)	-1.5%
Training Grants & Raceday Usage	2,299,492	25.6%	2,398,725	24.6%	99,233	4.3%
Club Promotion & Operational purposes	1,373,517	15.3%	1,807,908	18.5%	434,391	31.6%
Club Capital WHS Expenditure	1,711,818	19.1%	1,981,665	20.3%	269,847	15.8%
Workcover & Insurance - Jockeys	976,148	10.9%	874,632	9.0%	(101,516)	-10.4%
TOTAL	8,977,086	100.0%	9,746,807	100.0%	769,721	8.57%

Prize Money Increases

Prize Money payments in FY16 were up \$2.627M (7.5%), in the main representing the full year impact of the prize money increases announced early last year.

The main changes to prize money levels in FY16 were:

- Implementation of the \$100K minimum prize money for each race across the three days of the UBET Adelaide Carnival.
- Roll-out of the previously announced Metropolitan prize money increases, with the previous \$32K and \$35K races increasing to \$40K.
- Implementation of the increase to \$15K for all Non-Maiden and \$12K for Maiden events at Wednesday Provincial race meetings.

SABOIS and SABOIS Feature Races

The TRSA Board remains committed to South Australia's breeders and owners incentive scheme SABOIS, although it resolved to cap TRSA's contribution to SABOIS on behalf of the Industry, to \$1.4M per season. It is important to reiterate that SABOIS is completely funded by the South Australian racing industry, unlike the breeder/owner bonus schemes in other States which are in part funded by direct State government funding.

In July 2015 we staged the first \$100,000 SABOIS Feature Race for two year olds, while in July 2016 we held the first \$100,000 SABOIS Feature Race for three year olds, as well as the two year old event. Both these races will be repeated in 2017 and 2018.

South Australian Thoroughbred Racing Industry Awards

Once again I congratulate each of the Award winners for the 2015/16 season, with a full list of all category winners included at the conclusion of my report.

Eclair Choice edged out Don't Doubt Mamma and 2014 winner Happy Trails in winning the 2015/16 South Australian Champion Racehorse Award, giving owner Thomas Li and trainer Phillip Stokes back-to-back wins with the Award, having taken it out last year with Hucklebuck. Eclair Choice achieved two Group 2 wins in Melbourne in the 2015/16 season, taking out the Linlithgow Stakes and dead heating for first in the Caulfield Sprint.

For the first time we had a dead-heat in the prestigious John Letts Medal with the votes tied for both Jamie Kah and Jason Holder. This was a fitting result with Jason having won the South Australian Metropolitan Jockey of the Year title, while Jamie secured both the South Australian Provincial & Country Jockey of the Year and South Australian Jockey of the Year titles.

There were many outstanding achievements by South Australian racing participants throughout the 2015/16 year, and we look forward to the Spring Carnival ahead. Congratulations to each and every one.

Retired Horses Support

Animal welfare has, as it should, always been and continues to be an important focus within the racing industry. As an industry we work to maintain the highest levels of horse welfare and integrity.

The destination of thoroughbreds at the conclusion of their racing careers is receiving greater attention as we work as an industry to support an environment and culture whereby other equestrian pursuits look to, and value the thoroughbred breed in their pursuits.

We have continued our support for retirement of racehorse programmes with a focus on promoting the positive transition of horses from racing to a new career. We continue our association with the South Australian Changing Rein programme (www.changingrein.com.au) which is a resource for owners or trainers of horses bred for racing which may at some time need to be retrained for a new role when the racetrack is no longer a career option.

TRSA has established partnerships, supporting specific horse-based events to promote the competition of retired thoroughbreds. These have included the Australian Three Day Event, Off The Track (OTT) – SA Series, "Racehorse to Show Horse" category at the Royal Adelaide Show, the Equestrian SA Horse of the Year and other SA Show Jumping Championships.

New initiatives are being added and developed, as we work to encourage even greater acceptance of retired thoroughbreds as a preferred option in equine pastimes.



Black Heart Bart | 2016 Darley Goodwood
Trainer: Darren Weir | Jockey: Brad Rawiller
Photo courtesy of Atkins Photography

Conclusion

While we have again achieved good growth in Revenue, the racing industry both here in South Australia and nationally, faces numerous challenges, externally and internally.

With 94.7% of our revenue derived from wagering, it is a high exposure to a single source of income, although the risk is arguably spread more with the growth in revenue from interstate wagering operators (and the wider Australian population) rather than the greater reliance on wagering by South Australians as was previously the case. However this interstate growth reinforces the need to ensure that our racing remains attractive to those outside South Australia.

There are growing demands and expectations from our customers and the wider community, in terms of vision, welfare and integrity, all of which requires greater expenditure to produce and ensure compliance in meeting the expectations. Regardless of whether it provides revenue growth. The racing industry is always under the scrutiny of various animal welfare groups, across a wide range of racing activities. However as passionate supporters of thoroughbred racing and the thoroughbred itself, no-one is more supportive of horse welfare than the racing industry itself.

We continue to face pressure as to how we distribute the funding we generate from our racing, whether it be to owners, trainers and jockeys through prize money, or Clubs who provide the tracks and training facilities upon which we race and train. The South Australian racing industry needs a substantial boost financially, to enable us to address a number of matters with our aging facilities in many areas, while still providing adequate returns

2015/16 Racing Statistics (1 August 2015 To 31 July 2016)

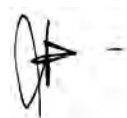
Number of Meetings Conducted	2015/16	2014/15	2013/14
Metropolitan	61	60	61
Provincial/Country	117	119	110
Non TAB	9	9	11
Total	187	188	182

Number of Races Conducted	2015/16	2014/15	2013/14
Metropolitan	497	496	498
Provincial/Country	912	925	874
Non TAB	52	52	45
Total	1,461	1,473	1,417

to participants who derive their livelihood from the racing industry. There are various items which will come up for review over the next 12 months, such as our Vision Rights and UBET's retail exclusivity, which TRSA is looking to utilise to achieve a long term increase in returns for the industry.

In conclusion, I again thank TRSA's staff for their ongoing efforts and contribution towards the success and integrity of racing in our State. By comparison to other jurisdictions TRSA has a small team, who strive to implement the policies of the Board, and to grow and sustain racing in South Australia.

I thank all participants within the South Australian thoroughbred racing industry; Owners, Trainers, Club Officials and Volunteers, Jockeys and Breeders for your support, contributions and efforts towards the South Australian thoroughbred racing industry.



Jim Watters
Chief Executive Officer



Tonopah | 2016 Robert & Faye Gerard R.A. Lee Stakes
Trainer: Darren Weir | Jockey: Dean Yendall
Photo courtesy of Atkins Photography

Racing Snapshot - 2015/16 Premierships

(1 August 2015 To 31 July 2016)

Metropolitan Trainer	Wins
Phillip Stokes	50
Richard Jolly	30
David Hayes & Tom Dabernig	29

Provincial & Country Trainer	Wins
Wayne Francis & Glen Kent	24
Dennis O'Leary	22
Sue Murphy	21

Metropolitan Jockey	Wins
Jason Holder	53
Matthew Neilson	50
Caitlin Jones	35

Provincial & Country Jockey	Wins
Jamie Kah	80
Emily Finnegan	51
Dom Tourneur	51

Metropolitan Apprentices	Wins
Caitlin Jones	35
Emily Finnegan	28
Josh Cartwright	19

Provincial & Country Apprentice	Wins
Emily Finnegan	51
Zac Spain	45
Matthew Poon	37

State Trainer	Wins
Phillip Stokes	67
Richard Jolly	51
Tony McEvoy	46

Jumps Trainer	Wins
Eric Musgrove	7
Kevin & Heather Frew	3
Grant Young	2

State Jockey	Wins
Jamie Kah	107
Jason Holder	86
Dom Tourneur	85

Jumps Jockey	Wins
Paul Hamblin	3
Tom Ryan	3
Martin Kelly	3

State Apprentice	Wins
Emily Finnegan	79
Zac Spain	63
Caitlin Jones	62



SOUTH AUSTRALIAN THOROUGHBRED RACING INDUSTRY AWARDS 2014-15

AWARD

WINNER

E.J. Mooney Medal for SA Jumps Jockey of the Year
 SA Jumps Trainer of the Year
 Caitlin Forrest SA Provincial and Country Apprentice of the Year
 UBET SA Metropolitan Apprentice of the Year
 Leon Macdonald Award for SA Apprentice of the Year
 Evright.com SA Most Consistent Racehorse
 Most Outstanding Achievement Award by an Individual
 Most Outstanding Achievement by a Club
 UBET SA Provincial and Country Jockey of the Year
 UBET SA Provincial and Country Trainer of the Year
 SA Metropolitan Trainer of the Year
 SA Jockey of the Year
 2015-16 Media - Best Racing Story
 2015-16 Media - Best Racing Picture
 Glennon-Johnson Award for 2015/16
 SA Metropolitan Jockey of the Year
 CS Hayes Award for 2015/16 South Australian Trainer of the Year
 2015/16 John Letts Medal
 Festival Hire 2015/16 South Australian Champion Racehorse of the Year

Paul Hamblin
 Eric Musgrove
 Emily Finnegan
 Caitlin Jones
 Emily Finnegan
 Tunes
 Barry Dunn
 Port Lincoln Racing Club
 Jamie Kah
 Wayne Francis and Glen Kent
 Phillip Stokes
 Jamie Kah
 Ben Scadden
 Jenny Barnes
 Jason Holder
 Phillip Stokes
 Jason Holder and Jamie Kah
 Hucklebuck

HALL OF FAME

Hall of Fame Induction - Horse
 Hall of Fame Induction - Trainer

Durbridge
 Mick Goreham

Chairman Of Stewards' Report



Johan Petzer Chairman of Stewards

The 2015/16 racing season was, not unlike any other racing season, one which presented its own distinct challenges. The Stewards' Department in dealing with, at times, very demanding situations, applied sound integrity principles in resolving matters and giving effect to their functionality. The Department's objective was to provide consistent, balanced and strong integrity leadership to the South Australian thoroughbred racing industry and we trust we have done justice to this objective. The Department's staff once again performed their functions with enthusiasm, a high degree of professionalism and efficiency. In providing integrity services to the industry, the Department remained conscious of its functional responsibility and operated within the framework of the Australian and Local Rules of Racing and Policies.

Stewards' Department – Functions:

As the Australian racing industry integrity framework continued to develop and evolve to meet the ever changing challenges presented, we remained mindful of the principles which allow for healthy competition on a level playing field. In

giving effect to our responsibilities we provided services in respect of race day, non-race day, official trial, jump-out and track work operations. A number of major inquiries/investigations were also conducted. The Department continued to manage sampling activity in respect of both horses and participants, monitored wagering activities, conducted stable inspections and represented Thoroughbred Racing SA (TRSA) at matters before the South Australian Racing Appeals Tribunal.

In addition we also managed licensing and veterinary services, the functions of Deputy Registrar of Racehorses, and those relating to the Apprentice Academy and the Jumps Review Panel.

Significant Developments: International Partnerships

The establishment of a partnership arrangement with the Hong Kong Jockey Club (HKJC), which commenced in June 2015, continued in the racing season under review. Hong Kong Apprentice Jockey, Matthew Poon, who is in the care of local Trainer, Richard Jolly, for a period of two years, continues to progress well. Further negotiations between TRSA and the HKJC resulted in Hong Kong Apprentice Jockey Kei Chiong, who finished 6th on the HKJC Jockey premiership table in 2015/16, and who won the most popular Jockey award in Hong Kong, being placed with local Trainer, Phillip Stokes for a period of one month during the HKJC off-season to further her riding experience. We were pleased the Executive Manager, Racing Development Board and Headmistress of the Apprentice Jockeys School with the HKJC, Ms Amy Chan, visited South Australia at the end of the

racing season and attended race meetings, track work and the TRSA Apprentice Academy. Amy's visit is testament to the regard held for the TRSA Apprentice Academy and reinforces the good working and business relationship between TRSA and the HKJC. During the season TRSA also finalised an agreement with the Singapore Turf Club (STC) and Singapore Apprentice Jockey, Jailani Mamat, was placed in the care of Morphetville based Trainer, Mr Jon O'Connor.

Prohibited Substances – Cobalt

The Department continued to monitor developments in regard to Cobalt, and testing for Cobalt continued as part of the routine screening of urine and blood samples. In July 2016 Racing Australia announced a new threshold for Cobalt in urine of 100µg/L (reduced from 200µg/L) and also a threshold for Cobalt in plasma of 25µg/L, both effective from 1 September 2016. Our view, quite appropriately so, remains unaltered in respect of prohibited substances, whether they be Cobalt or otherwise, that there is no place for any such substances in our industry and the notion of a level playing field is predicated on a prohibited substance free environment.

Medical Panel:

The TRSA Medical Panel, comprising Dr. Terry Hodgson and Dr. Stephen Kennett, continued to play an important role in providing advice and services to the Stewards' Department. Dr. Kennett continued to conduct the baseline concussion tests for Jockeys and Apprentice Jockeys, which remains an important measure to further enhance the safe return of riders after concussion related injury.



Sign off | 2016 James Boag's Premium Lord Reims Stakes
Trainer: Darren Weir | Jockey: Harry Coffey
Photo courtesy of Atkins Photography

Veterinary Services:

Dr. Peter Horridge – TRSA Industry Veterinarian, provided and supervised veterinary services at Metropolitan and Provincial racetracks and his role in the management of relevant integrity related functions within the Department was invaluable. The Department also acknowledges those Veterinary Surgeons who regularly assisted Dr. Horridge in the Metropolitan area, in particular veterinarians from the Morphettville Equine Clinic and Dr. Haensel, together with those who serviced the various Country race meetings. Dr. Horridge represented TRSA at meetings of the Veterinary and Analysts Committee (VAC), a sub-committee of Racing Australia. He also provided expert advice at Stewards' inquiries, as well as advice to the industry on veterinary and equine welfare matters.

Racemeeting, Disciplinary and Related Matters:

During the season 34 horses were suspended for poor barrier behaviour compared with 48 the previous season, and the total number of warnings issued decreased from 60, in the previous season, to 48. The statistics show that approximately 62% of all action taken in respect of horses with poor barrier manners related to 3 & 4 year old horses, a figure which correlates with that of the previous season.

There were 57 Careless Riding charges issued which resulted in a suspension of licence to ride in races, compared with 76 suspensions of licence the previous season. This number represents a 25% decrease on the previous year. The average number of suspensions per season over the past 13 racing seasons was 52. The Department

will remain vigilant to ensure riders ride in a competitive but safe manner. In addition, Stewards conducted 26 significant investigations/inquiries into breaches of the Rules.

The Department conducted routine stable inspections which included the identification and observation of horses engaged to participate at a race meeting. This strategy remains an area of focus for the Department and adds a valuable dimension to the overall sampling strategy.

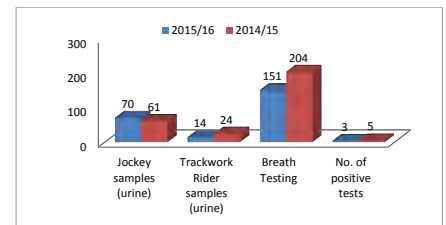
Swabbing – Horse samples tested during the year –

	2015/16	2014/15
Post-race urine /blood samples	1453	1457
Pre-race blood samples (TCO ₂)	1193	1477
Post-race blood samples (TCO ₂)	10	1
Pre-race blood samples	13	20
Post-trial urine samples	5	4
Non-Race Day samples	10	44
Number of positive tests	3	4
Total Samples	2687	3003

The three positive samples recorded during the racing season were for Dexamethasone (one) and Arsenic (two). The positive sample relating to Dexamethasone resulted in the horse concerned being disqualified from the race in which it participated, while the Arsenic matters are still being dealt with. The testing strategies adopted and the sampling regime deployed by the

Department continued to be a critical element in providing a level playing field for all participants, protecting the health and welfare of horses, the safety of riders and maintaining the confidence of the betting public and the broader community in the integrity of the South Australian thoroughbred racing industry.

Human Sampling:



Licensing:

The following licences/registrations were processed by the Department –

	2015/16	2014/15
Trainers	311	313
Jockeys	30	40
Apprentices	17	19
Interstate Jockeys	69	65
Interstate Apprentices	22	28
Stablehands	495	517
Stablehand/ Trackwork Riders	198	174
Total	1142	1156

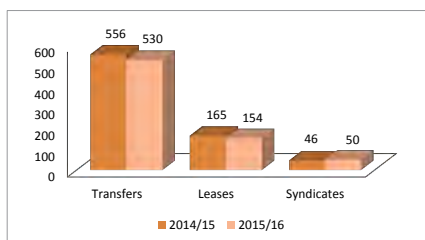


Excites Zelady | 2016 Carlton Draught Murray Bridge Gold Cup
Trainer: Chris Bieg | Jockey: Jake Toeroek
Photo courtesy of Atkins Photography

Deputy Registrar:

In addition to the Department performing the role of Lead Regulator (under a co-regulation arrangement with ASIC) in relation to the approval of Promoters/Syndicators of racehorses, the Department also acted as Deputy Registrar for South Australian registration functions, which included Transfers of Ownerships, Leases and Syndicates.

Transfers, leases and syndicates, in respect of race horse ownership, processed –



Jumps Review Panel:

The Jumps Review Panel (JRP) again provided valuable service to the industry, and members of the JRP were present at all race meetings which included jumping events, and all races were reviewed. Regular consultation occurred with Racing Victoria Limited's Jumps Review Panel on relevant matters. The contribution of the JRP should be commended.

Apprentice Academy:

TRSA again competed in the annual National Apprentice Series, with South Australia's heat conducted at Murray Bridge.

Sigrid Carr's efforts during the year were well rewarded when she was named Dux of the Apprentice Academy at the Annual

Apprentice Academy Awards Evening. As part of being named the Dux, and with the assistance of the sponsorship provided by UBET, Sigrid had the pleasure and experience of riding in Singapore for a three week period. I would like to thank and acknowledge the Singapore Turf Club and UBET for their continued support in this regard.

The Academy had 25 apprentices enrolled with two being granted permission to ride in races for the first time in the 2015/16 season. Attendance at the Academy on Tuesdays is mandatory and additional riding skills sessions with smaller groups are conducted on a regular basis.

Liaisons and Contacts:

The Department liaised with a number of bodies and/or stakeholders on relevant matters, including various State and National sector group bodies, Racing Australia, through the National Chairmen of Stewards Committee and the Veterinary and Analysts Committee.

Appreciation:

I would like to express my appreciation to the Department's staff for their dedication and continuous professional approach, without which we would not be able to effectively manage our operations. I make special mention of Liz Tosetti, my personal assistant for the past three years. Earlier this year Liz announced her retirement effective July 2016. Liz worked in the racing industry for some 31 years in total and in the Stewards' Department for approximately 17 years. During her time with the Stewards' Department she had responsibility as Deputy Registrar of Racehorses, dealing with transfer of ownerships, leases and

syndicates. She excelled in all her roles in the Department, which included management of the Apprentice Jockey Trust Accounts, and performed her functions with distinction. Liz was a very valuable, efficient and loyal employee, was very well regarded by industry participants and will be greatly missed. We wish Liz all the very best in retirement.

Finally, I would also like to thank TRSA senior management and the Board of TRSA for their support.

Johan Petzer
Chairman of Stewards



Sandhill Star | 2016 UBET Strathalbyn Cup
Trainer: Sam Turner | Jockey: Matthew Poon
Photo courtesy of Atkins Photography

THOROUGHBRED RACING SA LIMITED

FINANCIAL REPORT 2016

Contents

THOROUGHBRED RACING S.A. LIMITED ABN 25 094 475 939
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Precious Gem | 2016 UBET Classic
Trainer: Henry Dwyer | Jockey: Jake Noonan
Photo courtesy of Atkins Photography



Directors' Report

The Directors present their report together with the financial report of Thoroughbred Racing SA Limited ("the Company") for the year ended 30th June 2016 and the Auditor's Report thereon.

Directors

The directors of the Company during the financial year were:

NAME AND QUALIFICATIONS	EXPERIENCE AND SPECIAL RESPONSIBILITIES
<p>Ms Eleanor Frances Nelson QC LLB Chair</p>	<p>Frances is a barrister. She has considerable experience with the racing industry in SA and has conducted a number of inquiries into the Industry on behalf of Government and served on the Oakbank Committee for twenty years. Frances is currently Deputy Chair of the Racing Australian Board. She is the Chair of the Parole Board of South Australia and holds board positions on a number of privately owned companies.</p> <p>Frances is a member of the South Australian Jockey Club Inc and the Oakbank Racing Club Inc. Chairperson - Race Dates Committee • Chairperson - Jumps Committee Chairperson - Remuneration Committee • Member - Finance Committee</p>
<p>Mr Simon Ward LLB Deputy Chair</p>	<p>Simon is a solicitor and Partner of Piper Alderman. He regularly advises on the Rules of Racing and legislation affecting the industry. He is a Board member of YMCA INEA and the Legal Assistance Fund of the Law Society of SA.</p> <p>Simon is a member of the Oakbank Racing Club Inc. Member - Race Dates Committee</p>
<p>Mr David Rasheed BA (Acc), CA, CTA</p>	<p>David is a chartered accountant and is Chairman of Partners of Tilbrook Rasheed Chartered Accountants. He is involved in the industry as an owner and breeder and has served on the Board of the South Australian Jockey Club. He holds board positions on a number of privately owned companies.</p> <p>David is a member of the South Australian Jockey Club Inc. Chairman - Finance Committee • Member - Race Dates Committee</p>
<p>Mr Ken Smith AM</p>	<p>Ken owns and operates a private business. He is a former Deputy Chairman of the South Australian Jockey Club and has a lifelong interest in the thoroughbred racing industry as both an owner and breeder. He holds and has held numerous positions on boards of both government and private enterprises.</p> <p>Ken is a member of the South Australian Jockey Club Inc, Oakbank Racing Club Inc, Murray Bridge Racing Club Inc and the Strathalbyn Racing Club Inc. Member - Race Dates Committee • Member - Jumps Committee</p>



Purple Smile | 2016 UBET Adelaide Cup
Trainer: David Hayes & Tom Dabernig | Jockey: Stephen Baster
Photo courtesy of Atkins Photography

Directors continued:

NAME AND QUALIFICATIONS	EXPERIENCE AND SPECIAL RESPONSIBILITIES
<p>Ms Catherine Cooper LLB, GDLP</p>	<p>Catherine is a qualified lawyer. Combining a legal and business background, Catherine has significant expertise in areas such as strategic planning, project management, change management and corporate governance. She has extensive executive management experience across a broad industry base that includes Fosters Brewing Group, Elders Limited and Bendigo Bank. A professional company director since 1999, Catherine has wide involvement at board level both as a Chairperson and Director for a number of organizations including the Dairy Authority of SA and is a Commissioner of the Australian Fisheries Management Authority.</p> <p>Member - Finance Committee • Member - Marketing Committee Member - Remuneration Committee</p>
<p>Mr Warrick Duthy</p>	<p>Warrick has a Bachelor of Business (Marketing) Uni SA and is a Graduate of the Australian Institute of Company Directors. He has broad range of experience including strategic planning leadership, policy making and direction to ensure all assets, human and capital, are aligned to strategy as well as marketing and human resources.</p> <p>He is a former Director of RIDA (Racing Industry Development Authority) 2000-2001, a South Australian Jockey Club Member and a racehorse breeder and owner.</p> <p>Chair - Marketing Committee • Member - Remuneration Committee</p>
<p>Mr G Harrison</p>	<p>Grant is the former General Manager of the SATAB (8 years) having been employed there for 25 years. He has a Bachelor of Business and Associate Diploma of Marketing from University of South Australia. He is a member of the Australian Institute of Company Directors. He also has extensive experience in sports administration having been on the Gymnastics Australia Board for 12 years, the last three as President. He has also been a Board Member of the Australian Olympic Committee and is a current Director of the Australian Commonwealth Games Association. He was a Board member of the Southern Football league for 5 years and Chairman of Gymnastics South Australia for 10 years.</p> <p>Member - Finance Committee • Member - Race dates Committee</p>

Company Secretary

The secretary of the Company at the end of the financial year was:

<p>Mr Nicholas Redin BSc (Acc)</p>	<p>Nick is the Chief Operating Officer of Thoroughbred Racing SA Ltd</p>
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Howard Be Thy Name | 2016 UBET SA Derby
Trainer: Darren Weir | Jockey: John Allen
Photo courtesy of Atkins Photography

Principal Activities

The Company is a company limited by guarantee.

The company is the Controlling Authority for thoroughbred racing in South Australia.

The principal activities of the Company during the course of the financial year were to:

- (a) Regulate and control all aspects of thoroughbred horse racing including licensing, ownership, employment and participation;
- (b) Employ the personnel required to conduct race meetings and horse races;
- (c) Ensure the integrity of thoroughbred horse racing;
- (d) Effectively market and manage the South Australian Thoroughbred Racing brand; and
- (e) Prepare and implement plans and strategies for the management of the financial affairs of the thoroughbred horse racing code and for the development, promotion and marketing of the code in the state of South Australia.

GENERAL OPERATIONS

The general operations of the company are to:

- (a) Receive distributions from UBET SA Pty Ltd from wagering on thoroughbreds in South Australia;
- (b) Negotiate arrangements with and receive payments from both intrastate and interstate wagering operators, other than the UBET SA Pty Ltd, that take bets on thoroughbred races conducted in this State;
- (c) Employ the personnel required to regulate the industry, plan and programme race meetings, conduct race meetings and remunerate participants in thoroughbred horse racing;

- (d) Determine the allocation of industry funding from revenue received;
- (e) Make payments of prize money to owners, trainers and jockeys;
- (f) Market South Australian thoroughbred racing both inter and intra state;
- (g) Provide financial support and management assistance to thoroughbred racing clubs throughout South Australia;
- (h) Negotiate vision rights with broadcasters for thoroughbred races;
- (i) Represent the South Australian industry's relationship with the Racing Australia Board and other controlling authorities throughout Australia;
- (j) Manage the industry's relationship with the State Government, primarily through the Minister for Racing;
- (k) Conduct the operations of the South Australian Apprentice Jockeys Academy and;
- (l) Manage and administer the work cover claims for all injured licensed jockeys and apprentices

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

Review and Results of Operations

REVIEW OF OPERATIONS

The company's operating deficit for the year was \$43,160.

DIVIDENDS

The Company's constitution prohibits the payment of dividends.

STATE OF AFFAIRS

In the opinion of the Directors, no significant changes in the company's State of Affairs occurred during the year.

EVENTS SUBSEQUENT TO BALANCE DATE

In the opinion of the Directors, no matters or circumstances have arisen since the end of the financial year which 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 financial years.

LIKELY DEVELOPMENTS

The Company will continue to strive to improve the viability of thoroughbred racing in South Australia and the returns to industry participants. Whilst this will not alter the direction of the company's activities, particular initiatives that are being pursued include the following:

- Working with the State Government and the SAJC to ensure there is a public holiday in May to which the Adelaide Cup can be moved in 2018.
- The completion of the new Murray Bridge racing venue which should result in a racetrack that provides expanded training facilities and, has greater appeal to the wagering public with a consequential benefit to the industry from increased wagering revenue.
- Continued development of race programs aimed at growing starter numbers and driving an increase in wagering revenue.
- Develop initiatives aimed at improving both the race fields and attendances at Metropolitan, Provincial and Country race meetings.
- Continue to work with Clubs to ensure there is efficiency across the administration and marketing functions including the further provision of financial management and reporting.

Directors' Meetings

The numbers of meetings of the Board and Board Committees and the attendances of each Director are set out in the following table

DIRECTOR	BOARD	FINANCE	MARKETING	RACE DATES	JUMPS
Ms E Nelson QC	11	2		2	1
Mr D Rasheed	11	2		2	
Mr S Ward	11			2	
Mr K Smith AM	10			2	1
Ms Catherine Cooper	8	2	2		
Mr Warrick Duthy	10		2		
Mr G Harrison	10	2			
Total Meetings Held	11	2	2	2	1

Ms Nelson QC is the Thoroughbred Racing SA Ltd nominated Director for Gifford Hill Pty Ltd, the joint venture company formed for the wider Murray Bridge Development.

Other Matters

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is set out on page 8 and forms part of the directors' report for the financial year ended 30th June 2016.

Insurance of Officers

The Company has paid insurance premiums in respect of directors' and officers' liability insurance contracts for current directors and officers.

The directors have not included details of the nature of the liabilities covered or the

amount of the premium paid in respect of the directors' and officers' liability contract as such disclosure is prohibited under the terms of the contract.

Dated at Adelaide this 26th day of August 2016.

Signed in accordance with a resolution of directors:



F Nelson QC
Director

Auditor's Independence Declaration



**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF THOROUGHBRED RACING SA LIMITED**

I declare that to the best of my knowledge and belief, during the year ended 30 June 2016, there have been:

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

William Buck

William Buck
ABN: 38 280 203 274

G. W. Martinella

G.W. Martinella
Partner

Dated this 26th day of August, 2016.

**CHARTERED ACCOUNTANTS
& ADVISORS**

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The accompanying notes form part of these financial statements.

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016.

		30 JUNE 2016	30 JUNE 2015
	Note	\$	\$
Revenue	2	54,481,114	52,274,361
Financial income	3	465,838	469,892
Prizemoney & Unplaced Subsidies		(36,432,310)	(33,905,203)
SABOIS Bonuses		(1,427,725)	(1,327,850)
Industry payments	4(a)	(9,746,807)	(8,977,086)
Employee expenses		(3,699,259)	(3,350,557)
Depreciation expense		(194,991)	(190,359)
Legal & Professional Fees		(88,740)	(37,649)
Other expenses	4(b)	(3,400,280)	(3,139,871)
Net Surplus/ (Deficit) from operating activities		(43,160)	1,815,678
Other Comprehensive Income:			
Net fair value gain on re-measurement of investments in equity securities available-for-sale		(59,428)	3,144
Total Comprehensive Income for the year		(102,588)	1,818,822

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2016

	Note	30 JUNE 2016 \$	30 JUNE 2015 \$
Assets: Current assets			
Cash and cash equivalents	5	12,836,629	14,110,466
Trade and other receivables	6	6,086,582	6,028,028
Other assets	7	311,037	420,991
Total current assets		19,234,248	20,559,485
Non-current assets			
Plant and equipment	8	927,677	892,756
Financial assets - Investments	9	1,298,781	1,358,209
Total non-current assets		2,226,458	2,250,965
Total assets		21,460,706	22,810,450
Liabilities: Current liabilities			
Trade and other payables	10	2,172,974	3,173,905
Provisions	11	566,668	515,267
Other liabilities	12	649,519	649,518
Total current liabilities		3,389,161	4,338,690
Non-current liabilities			
Provisions	11	118,698	114,363
Other liabilities	12	334,543	636,505
Total non-current liabilities		453,241	750,868
Total liabilities		3,842,402	5,089,558
Net assets		17,618,304	17,720,892
Equity			
Reserves	13	266,127	325,555
Retained profits		17,352,177	17,395,337
Total equity		17,618,304	17,720,892

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2016

	FINANCIAL ASSET RESERVE	RETAINED PROFITS	TOTAL
Balance as at 30 June 2014	322,411	15,579,659	15,902,070
Net Surplus for the year	-	1,815,678	1,815,678
Other Comprehensive Income for the year	3,144	-	3,144
Balance as at 30 June 2015	325,555	17,395,337	17,720,892
Net (Deficit) for the year	-	(43,160)	(43,160)
Other Comprehensive Income for the year	(59,428)	-	(59,428)
Balance as at 30 June 2016	266,127	17,352,177	17,618,304

The accompanying notes form part of these financial statements.



Into The Mist | 2016 Hughes Chauffeured
Limousines Queen of The South
Trainer: Tony McEvoy | Jockey: Jason Holder
Photo courtesy of Atkins Photography

Statement of Cash Flows

For the year ended 30 June 2016

	Note	30 JUNE 2016	30 JUNE 2015
		\$	\$
Cash flows from operating activities			
Receipts in the course of operations		59,148,313	60,263,603
Payments in the course of operations		(61,048,279)	(55,583,108)
Interest received		429,200	434,631
Dividends received		36,638	35,261
Loans from/ (to) clubs		390,202	(637,614)
Net cash (used in)/provided by operating activities	14	(1,043,926)	4,512,773
Cash flows from investing activities			
Proceeds on disposal of plant and equipment		762	17,170
Payments for plant and equipment		(230,673)	(214,532)
Net cash (used in) investing activities		(229,911)	(197,362)
Net (decrease) /increase in cash held		(1,273,837)	4,315,411
Cash and cash equivalents at the beginning of the financial year		14,110,466	9,795,055
Cash and cash equivalents at the end of the financial year	5	12,836,629	14,110,466

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2016

The financial statements and notes represent Thoroughbred Racing SA Limited ("the Company") as an individual entity, incorporated and domiciled in Australia. Thoroughbred Racing SA Limited is a company limited by guarantee.

1. Summary of significant accounting policies

BASIS OF PREPARATION

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001 (Cth). The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report was authorised for issue by the Directors of the Company on 26 August 2016.

(a) Revenues

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

TAB PRODUCT FEE REVENUE

Revenue from TAB product fees is recognised as it accrues.

BETTING OPERATIONS CONTRIBUTION

Revenue from Betting Operations Contribution is recognised as it accrues.

SABOIS REVENUE

SABOIS subscriptions are not recognised as revenue until horses are two years old, when one third is recognised as revenue and the balance is recognised when the horses are three year olds.

SALE OF GOODS

Revenue from the sale of goods is recognised when control of the goods passes to the customer.

FINANCIAL INCOME

Financial income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets through profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(b) Financial expenses

Financial expenses comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

(c) Taxation

No provision for income tax has been raised as Thoroughbred Racing SA Limited is exempt from income tax under the Income Tax Assessment Act 1997.

(d) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with

1. Summary of significant accounting policies (continued)

original maturities of three months or less. Bank overdrafts, if any, are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

(f) Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in the Statement of Profit or Loss and Other Comprehensive Income or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(h) for details of impairment).

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is available for use.

The estimated useful lives for each class of depreciable asset are:

- Plant and equipment 3 – 15 years
- Motor Vehicles 5 – 7 years
- Furniture and Fittings 3 – 15 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down

immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Statement of Profit or Loss and Other Comprehensive Income.

(g) Financial instruments

INITIAL RECOGNITION AND MEASUREMENT

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income immediately.

CLASSIFICATION AND SUBSEQUENT MEASUREMENT

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, or where they are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in fair value (i.e. gains or losses) being recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income through the amortisation process and when the financial asset is derecognised.

1. Summary of significant accounting policies (continued)

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income through the amortisation process and when the financial asset is derecognised.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income through the amortisation process and when the financial liability is derecognised.

IMPAIRMENT

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

DERECOGNITION

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability, which is extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(h) Impairment of assets

At the end of each reporting period, the Company reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an assets class, the Company estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

(i) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

1. Summary of significant accounting policies (continued)

(j) Employee Provisions

Short term employee provisions
Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

OTHER LONG TERM EMPLOYEE BENEFITS

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the re-measurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

The company's obligations for long-term employee benefits are presented as non-current employee provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Contributions are made by the Company to employees superannuation funds and are charged as expenses when incurred.

(k) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(l) Comparative figures

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

(m) Critical accounting estimates and judgments

The directors evaluate estimates and judgments which are incorporated into the financial statements based on historical knowledge and best available current

information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

KEY ESTIMATES - IMPAIRMENT: GENERAL

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may be indicative of impairment triggers. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions.

THOROUGHBRED RACING SA LIMITED: **Notes to the Financial Statements**

For the year ended 30 June 2016

	2016	2015
	\$	\$
2. Revenue		
TAB Product Fees and Wagering Tax Relief	32,725,633	33,623,717
Screening & International Rights	1,423,391	1,259,838
SABOIS subscriptions	286,867	316,067
Registration fees	212,879	222,998
Publications	88,324	239,362
Other	326,321	259,669
	35,063,415	35,921,651
<hr/>		
Gross Betting Operations Contributions	26,691,244	23,735,480
Less: Interstate Race Field Fees Paid	(7,273,545)	(7,382,770)
Net Betting Operations Contributions	19,417,699	16,352,710
Total revenue	54,481,114	52,274,361

TAB product fees are recognised net of the SA Government tax commonly referred to as Clawback. The effect of this tax has been to reduce revenue by \$2,137,545 for the year ended 30 June 2016 (2015: \$2,168,873).

3. Financial Income

Interest income	429,200	434,631
Dividend income	36,638	35,261
Total financial income	465,838	469,892

THOROUGHBRED RACING SA LIMITED: **Notes to the Financial Statements**

For the year ended 30 June 2016

	2016	2015
	\$	\$
4. Expenditure		
(a) Industry Payments		
Training Grants and Raceday Usage payments	2,398,725	2,299,492
Race Day Payments & Costs	2,025,149	1,947,110
Club Promotion and Operational purposes	1,807,908	1,373,517
Club Capital Expenditure	1,981,665	1,711,818
Workcover & Insurance - Jockeys	874,632	976,148
Industry Staff Costs	658,728	669,001
Total Industry Payments	9,746,807	8,977,086
(b) Other Expenses		
Advertising & Marketing	770,860	419,107
Marketing Professional Fees	105,784	112,176
Publication Expenses	339,791	322,194
Swab & Veterinary Supplies	361,042	386,617
Other	1,822,803	1,899,777
Total other expenses	3,400,280	3,139,871
(c) Auditor Remuneration		
Remuneration of the auditor of the Company for:		
Audit of the financial report	16,450	16,050

THOROUGHBRED RACING SA LIMITED: **Notes to the Financial Statements**

For the year ended 30 June 2016

	2016	2015
5. Cash and cash equivalents	\$	\$
Current		
Cash at bank and on hand	12,169,414	11,216,931
Short-term bank deposits	667,215	2,893,535
	12,836,629	14,110,466

The Company manages monies held on behalf of the Apprentices in the Apprentice Jockey's Trust Fund. The balance of these funds at 30 June 2016 is \$1,049,353 (2015: \$742,009). These funds are not included in the amounts at Note 5 above.

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	12,836,629	14,110,466
---------------------------	-------------------	-------------------

6. Trade and other receivables

Current		
Trade receivables	2,317,390	2,573,642
Other receivables	2,398,228	1,693,220
Loans to Thoroughbred Racing Clubs - secured	1,370,964	1,761,166
	6,086,582	6,028,028

7. Other assets

Current		
Prepayments	311,037	420,991
	311,037	420,991

The Company has undertaken a re-branding exercise to renew the marketing and advertising collateral for all Clubs. The costs associated with this activity will be amortised over three years. The balance of the costs to be amortised as at 30 June 2016 are \$240,040 (2015: \$355,222).

THOROUGHBRED RACING SA LIMITED: **Notes to the Financial Statements**

For the year ended 30 June 2016

8. Plant and equipment	2016	2015
	\$	\$
Non-current		
Plant and equipment - at cost	3,593,634	3,890,375
Less: accumulated depreciation	(2,665,957)	(2,997,619)
Total plant and equipment	927,677	892,756

The Company's plant and equipment includes assets purchased for the use of clubs generally and for industry wide purposes.

Movements in carrying amounts

Movements in the carrying amounts for each class of plant and equipment between the beginning and the end of the financial year:

Carrying amount at the beginning of the year	892,756	885,753
Additions at cost	230,673	214,532
Disposals - written-down value	(762)	(17,170)
Depreciation expense	(194,991)	(190,359)
Carrying amount at end of year	927,676	892,756

9. Financial assets - Investments

Non-current		
- Investment in Racing Australia Pty Ltd (formerly 'RISA')	454,637	454,637
Available-for-sale financial assets		
Listed equity securities available for sale	844,144	903,572
	1,298,781	1,358,209

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments. The Company has no intention to dispose of any listed available-for-sale financial assets which existed at 30 June. 2016.

10. Trade and other payables

Current		
Trade payables	621,749	453,162
Other payables and accruals	1,551,225	2,720,743
	2,172,974	3,173,905

THOROUGHBRED RACING SA LIMITED: **Notes to the Financial Statements**

For the year ended 30 June 2016

	2016	2015
	\$	\$
11. Provisions		
Current		
Employee benefits - annual leave	213,838	197,271
Employee benefits - long service leave	352,830	317,996
	566,668	515,267
Non-current		
Employee benefits - long service leave	118,698	114,363
	118,698	114,363
Total provisions	685,366	629,630
Opening balance at 1 July 2015	629,630	659,548
Net provisions raised during the year	55,736	(29,918)
Balance at 30 June 2016	685,366	629,630

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1(j) to these financial statements.

12. Other liabilities

Current		
Income received in advance	649,519	649,518
	649,519	649,518
Non-current		
Income received in advance	334,543	636,505
	334,543	636,505
Total other liabilities	984,062	1,286,023

THOROUGHBRED RACING SA LIMITED: **Notes to the Financial Statements**

For the year ended 30 June 2016

	2016	2015
	\$	\$
13. Reserve		
Financial Asset Reserve		
The financial asset reserve includes the cumulative net change in the fair value of available for sale investments until the investment is derecognised.		
14. Cash flow information		
Reconciliation of net surplus for the year to net cash provided by operating activities		
Net (deficit) / surplus for the year	(43,160)	1,815,678
Add/(less) non-cash items:		
- Amounts set aside to provisions	55,736	(29,918)
- Depreciation expense	194,991	190,359
Net cash from operating activities before change in assets and liabilities	207,567	1,976,119
Change in assets and liabilities during the period:		
- Decrease / (Increase) in trade receivables	256,252	(357,034)
- (increase) / Decrease in other receivables	(705,008)	2,308,375
- Decrease / (Increase) in loans to Thoroughbred Racing Clubs	390,201	(673,614)
- Decrease / (Increase) in other assets	109,954	(290,722)
- increase / (Decrease) in trade payables	168,587	(253,523)
- (Decrease) / increase in other payables and accruals	(1,169,518)	1,066,385
- (Decrease) / increase in income received in advance	(301,961)	736,787
Net cash provided by operating activities	(1,043,926)	4,512,773

THOROUGHBRED RACING SA LIMITED: **Notes to the Financial Statements**

For the year ended 30 June 2016

	2016	2015
	\$	\$

15. Related party transactions

Key management personnel compensation

The key management personnel compensation included in employee expenses are as follows:

Short term employee benefits	802,124	721,297
Post-employment benefits	66,974	64,571
	869,098	785,868

Directors

The names of each person holding the position of Director of Thoroughbred Racing SA Limited during the financial year are Ms E.F Nelson QC and C Cooper and Messers D Rasheed, S Ward, K Smith, W Duthy and G Harrison.

Directors Compensation

The Directors compensation included in employee expenses are as follows:

Short-term employee benefits - Directors remuneration	205,600	206,513
Post-employment benefits	14,207	13,425
	219,807	219,938

Directors' transactions with the Company

The terms and conditions of the transactions with Directors and Director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

Director	Transaction	Note		
Mr S Ward	Legal Services	(i)	3,725	31,785
Mr D Rasheed	Professional Services	(ii)	10,483	10,840

(i) The Company used the legal services of associated entities of Mr S Ward in relation to maintaining integrity for the industry and agreements with industry stakeholders.

(ii) The Company used the professional services of associated entities of Mr D Rasheed in relation to the Industry's interest in the Murray Bridge development.

Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms and include reimbursement of direct expenses incurred.

THOROUGHBRED RACING SA LIMITED: **Notes to the Financial Statements**

For the year ended 30 June 2016

15. Related party transactions (continued)	2016	2015
	\$	\$
Amounts receivable from and payable to Directors and Director related entities at the end of the reporting period arising from the above transactions were as follows:		
Current trade and other payables		\$
Trade payables	-	2,248

South Australian Jockey Club Inc.

The South Australian Jockey Club Inc. (SAJC) is one of the two members of the Company and controls 50% of the voting power in general meeting and thereby has significant influence over the Company.

The following transactions occurred between the Company and the SAJC during the year:

- The Company made payments of \$2,251,897 (2015: \$1,608,130) direct to the SAJC during the year in line with the Industry's Club Funding models implemented by the Board for Training Grants and Race Day Usage of the Morphettville courses, race day costs, marketing, promotional and operational purposes and capital expenditure. These payments are included in the expense item Industry Payments in Statement of Profit or Loss and Other Comprehensive Income.
- During the year the Company entered into an agreement with the SAJC to undertake all of its racing related marketing services.

South Australian Racing Clubs Council

The South Australian Racing Clubs Council (SARCC) is one of the two members of the Company and controls 50% of the voting power in general meeting and thereby has significant influence over the Company.

The Company made payments of \$40,000 to SARCC during the year for operational purposes. These payments are included in the expense item Industry Payments in Statement of Profit or Loss and Other Comprehensive Income.

The members of SARCC are the South Australian Racing Clubs (Clubs) other than the SAJC. The following transactions occurred between the company and Clubs during the year:

- The Company made payments of \$4,371,632 (2015: \$3,883,041) direct to Clubs during the year in line with the Industry's Club Funding models implemented by the Board for Training Grants and Race Day Usage of the various country race courses operated by member clubs of SARCC, race day costs,

promotional and operational purposes and capital expenditure. These payments are included in the expense item Industry Payments in Statement of Profit or Loss and Other Comprehensive Income.

- The Company has entered into loan agreements with and made loans to Clubs to provide working capital and to facilitate capital projects, which amounted to \$1,370,964 at 30 June 2016 (2015: \$1,761,166). The loans are secured or capable of being secured. Interest earned by the Company amounted to \$19,137 (2015: \$25,864) and is included in Financial Income in the Statement of Profit or Loss and Other Comprehensive Income. During the course of the year, the Company provided additional loan funding of \$70,000 to the Pt Lincoln Racing Club Inc. to assist the Club purchase land adjacent to the race course.

THOROUGHBRED RACING SA LIMITED: **Notes to the Financial Statements**

For the year ended 30 June 2016

16. Contingent liabilities

Estimates of the potential effect of contingent liabilities that may become payable:

SABOIS

Qualified yearling horses are nominated for the South Australian Breeders & Owners Incentive Scheme (SABOIS) allowing them the opportunity to win bonuses in specified races.

No provision for future bonuses has been made in the statement of financial position as the requirement to pay a bonus does not arise until such time as the horse wins or is placed in a SABOIS race.

An estimate has been made based on past experience of likely future bonuses payable for those horses nominated for the scheme that are yet to reach the age of four. At 30 June 2016 it is estimated that these future bonuses will be \$5.0 million.

Single National System

Thoroughbred Racing SA Ltd has agreed to participate in the Single National System being developed by Racing Australia Pty Ltd (RA) (Formerly RISA Pty Ltd), as have all other States' Principal Racing Authorities (PRA). The system will bring together, under a national framework, many business practices relating to racing that are currently run in disparate systems across Australia. The project is expected to take a further two years to complete and will be initially funded by RA partially withholding distributions to the PRA's.

The total cost to develop the system is estimated to be \$3.2m. The funding for this system is based on a user pays model, with a charge being raised to each State based on the number of nominations each month until such time as the total project cost has been recouped by RA. The charge is \$1.06 per nomination and the project has a payback period estimated to be eight (8) years.

"The contribution by Thoroughbred Racing SA Ltd towards the projects' cost is estimated to be \$164,000. The total contribution made towards the project as at the year ended 30 June 2016 was \$93,616 (2015: \$67,757).



Thublaan | 2016 Thomas Foods International
Great Eastern Steeplechase
Trainer: Eric Musgrove | Jockey: Martin Kelly
Photo courtesy of Atkins Photography

THOROUGHBRED RACING SA LIMITED: **Notes to the Financial Statements**

For the year ended 30 June 2016

17. Financial risk management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and loans, investments, accounts payable and borrowings.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

Financial assets	Note	2016	2015
		\$	\$
Cash and cash equivalents	5	12,836,629	14,110,466
Receivables and loans	6	6,086,582	6,028,028
Investments	9	1,298,781	1,358,209
Total financial assets		20,221,992	21,496,703

Gains and losses recognised in other comprehensive income

Gains and losses recognised in other comprehensive income in respect of available-for-sale financial assets:

- Net fair value income on remeasurement		(59,428)	3,144
Total losses recognised in other comprehensive income		(59,428)	3,144

Financial liabilities

Financial liabilities at amortised cost

- Trade and other payables	10	2,172,974	3,173,905
Total financial liabilities		2,172,974	3,173,905

RISK MANAGEMENT FRAMEWORK

Identification, measurement and management of risk is a priority for the Company. The provision of administration and management to the horse racing industry in South Australia carries a number of diverse risks which may have a material impact on the Company's financial position and performance. Consequently, the Board and Management have established a framework covering accountability, oversight, measurement and reporting to maintain high standards of risk management.

The Company allocates specific roles in the management of risk to Management. This is undertaken within an overall framework and strategy established by the Board.

18. Events after the reporting period

The Directors are not aware of any significant events since the end of the reporting period.

19. Company details

The registered office and principal place of business of the Company is:

Thoroughbred Racing SA Limited
Morphettville Racecourse
MORPHETTVILLE SA 5043

20. Members' guarantee

The Company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$2.00 each towards meeting any outstanding's and obligations of the Company. At 30 June 2016 the number of members was 2.

Directors' Declaration

THOROUGHBRED RACING SA LIMITED


DIRECTORS' DECLARATION

The directors have determined that the Company is a reporting entity and that this general purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 9 to 25, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards as stated in Note 1; and
 - (b) give a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director

F Nelson QC

Dated at Adelaide this 26th day of August, 2016

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THOROUGHBRED RACING SA LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Thoroughbred Racing SA Limited (the company), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Regime and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

CHARTERED ACCOUNTANTS & ADVISORS

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Adelaide SA 5000
GPO Box 11050
Adelaide SA 5001
Telephone: +61 8 8409 4333
williambuck.com



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
THOROUGHBRED RACING SA LIMITED (CONTINUED)**

Auditor's Opinion

In our opinion the financial report of Thoroughbred Racing SA Limited is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Regime and the Corporations Regulations 2001.

William Buck

William Buck
ABN: 38 280 203 274

G. W. Martinella

G.W. Martinella
Partner

Dated this 26th day of August, 2016.

**CHARTERED ACCOUNTANTS
& ADVISORS**

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Runway Star | Quayclean Matrice Stakes
Trainer: Peter G Moody | Jockey: Luke Currie
Photo courtesy of Sharon Chapman



THE RACES 

THOROUGHBRED RACING SOUTH AUSTRALIA

THOROUGHBRED RACING SOUTH AUSTRALIA

ANNUAL REPORT 2010



Capecover - Winner of the 2010 Adelaide Casino Adelaide Cup



THOROUGHBRED RACING SOUTH AUSTRALIA

ANNUAL REPORT

2010

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Chairman's Report



Philip Bentley Chairman

It is a pleasure to report that the year ended 2009-10 was another successful one for Thoroughbred Racing SA Ltd.

The Company achieved a profit for the year of \$279k. Whilst this is a substantial decrease from the profit of \$6.764 million in 2009, it was the result of the Board's strategy to increase prizemoney and club funding.

- 2010 saw a further increase in prizemoney of 16.25% across the board; and
- Increased direct payments to and on behalf of Clubs, which rose by 59% for the year.

The year was adversely affected by continuing uncertainty and litigation between Principal Racing Authorities and corporate bookmakers. As a result, the Company incurred further legal expenses protecting the industry's revenue from Betting Operations Contributions (BOC). The year's result was also affected by the imposition of additional racefields' levies by Racing

Victoria Limited of \$1.865 million, which was backdated following a further change of legislation in that State.

This is my third and final Chairman's Report to shareholders and is therefore an opportune time to reflect upon the changes that have occurred in South Australian thoroughbred racing in the past three years.

Seven people came together to form a new TRSA Board towards the end of 2007. The members of the new board were appointed for their individual skills and experience. The Directors appointed me as their Chairman each year.

At the outset the Board sought to establish the Company on a commercial footing mindful of its need to lead and guide the thoroughbred racing industry in South Australia. The Board comprised individuals with particular marketing, financial and legal skills as well as invaluable experience in thoroughbred racing. The Board embraced the objectives set out in the Company's Constitution, recognising that it is charged with managing the business of racing, for the benefit of all of the Industry's stakeholders and so as to secure the viability of thoroughbred racing in South Australia into the future.

The Board recognised at the outset that it would be necessary to take hard decisions for the benefit of the stakeholder group as a whole, which might not appeal to particular interested parties. The initiatives that the Board

has taken have not been without difficulty and at times controversy. Clearly, the most significant initiative involved the review of corporate governance at the South Australian Jockey Club. Other significant decisions have involved:

- Negotiations regarding telecasting rights;
- Litigation in respect of Betting Operations Contributions;
- Increased prizemoney;
- Improved Workcover and riding fees for Jockeys;
- Negotiations and assistance provided in connection with the redevelopment of the Gawler Racecourse;
- Negotiations and assistance provided in connection with the proposed Murray Bridge Racecourse;
- The continued programming of racing following the loss of Cheltenham and Victoria Park and during the construction of the Morphettville Parks and redeveloped Gawler courses;
- Initiatives to revitalise racing on the Eyre Peninsula, which entailed the elevation of Port Lincoln to Provincial status;
- Initiatives to secure the viability of racing in the State's south-east, which competes closely with Western Victoria and the associated elevation of Mouth Gambier to Provincial status;



Velocitea - Winner of the 2010 Distinctive Homes Goodwood

- Revisions to the funding of individual race clubs in order to secure their financial viability;
- The commitment to continue jumps racing in South Australia.

The Board developed a Strategic Plan, which resulted in a period of substantial reform. As part of its planning process the Board reviewed the level of reserves required in the Industry and as a result was able to revitalise prizemoney and significantly increase funding of individual race clubs. At the same time, it identified a need for a higher level of commercial skills within the management structure, which resulted in the appointment of Jim Watters, a most capable Chief Executive Officer, and Nick Redin, a very committed Chief Operating Officer, with significant financial acumen.

Prizemoney

In 2006-07, the year prior to the new Board being formed, total prizemoney in South Australia was \$22.79 million and the Industry had been relatively stagnant, if not in decline, for some years.

In the financial year just completed total prizemoney outlaid was \$28.97M, an increase of 27%.

In the year underway, the budget provides for prizemoney of \$33.12M, as all of the previously announced prizemoney increases come into full operation.

This will mean that the reforms implemented have resulted in an increase of 45% over a four year period.

Diversification of Revenue Base

Also in 2006-07, Thoroughbred Racing SA received 92.7% of its revenue from the TAB distribution, a situation which made the Industry particularly vulnerable.

In the 2009-10 season, this ratio of the total revenue was 71.3%.

This enhanced diversification was brought about by three major changes:

- Firstly the Board ensured that the necessary Industry governance protocols were put in place to enable the Industry to receive the revenue benefits from the State Government's promise to phase out the betting turnover tax. This phasing out process commenced 1 July 2008 and is still proceeding. It will continue for two more years, and once it is fully phased in it will amount to approximately \$5.8M per season. In the year just completed the betting tax relief was \$3.73M.
- Secondly, the Board convinced both the State Government and Opposition to pass legislation to enable us to apply betting fees on all wagering operators within Australia who take bets on South Australian races, referred to as Betting Operations Contributions (BOC). This action was necessary following on from NSW unilaterally bringing to an end the old "gentleman's agreement", wherein each pari-mutuel provider could previously bet on each other State's product for free. Unfortunately with the growth of corporate bookmakers, and no system in place to charge them, the

THOROUGHBRED RACING SOUTH AUSTRALIA: **Chairman's Report**

revenues from the pari-mutuels were suffering. The BOC commenced on 1 September 2008 and in a typical year it should provide the Industry with a net return of \$5.6M.

- Thirdly, the Board negotiated a new contract with Sky Racing for our racing vision rights. This contract has been agreed in principle and the payment of an enhanced sum of money (over that provided through the old contract) has been received.

Race Meetings and Race Programming

The Board has been conscious of the need to compete with the other two racing Codes and to do so we must maximise betting turnover on our own races through offering each-way betting.

Several Programming and Classification changes have occurred and no doubt will continue to occur. In addition we have been slowly increasing the number of race meetings and this year there will be an expanded programme of TAB race meetings.

Thoroughbred Racing SA has reached agreement with Sky Racing to screen 182 South Australian TAB meetings. Two of the three Kangaroo Island race meetings this season will be TAB meetings for the first time. The programme this season compares with 166 race meetings programmed in 2006 - 07.

Jockeys and Apprentices

During the last three years, jockeys have benefited from an increase in their unplaced riding fee from \$108 in 2006 - 2007 to \$165 (including a \$10 Career

Benefit Fund payment) this year, an increase of 52.7%.

These increases, along with their percentage share of the higher prizemoney for placed rides, provide a sound environment for a healthy number of jockeys for our Industry. In addition to this, the provision of WorkCover coverage for all of our jockeys provides a far more adequate safety net for those unfortunate to be injured.

Apprentices continue to be trained well and their facilities were enhanced when Thoroughbred Racing SA relocated the Apprentice Academy away from Cheltenham and built a new facility at Morphettville at a cost of \$1.4m. This is recognised as one of the best thoroughbred apprentice academies in Australia.

Gawler and Barossa Jockey Club Racecourse

In conjunction with Thoroughbred Racing SA assistance, the Gawler & Barossa Jockey Club has successfully developed a new racetrack and training track, along with stewards' and jockeys' room.

A new community function centre has been built opposite the winning post, which will host patrons on race days and earn the Club income on non-race days.

The first race meeting on the new track was conducted in July and the jockeys have been impressed by the cambered turns and the longer straight. It is anticipated that the new course will result in improved wagering returns to the Industry.



Toorak Toff - Winner of the 2010 Sportingbet Magic Millions Adelaide 2YO Classic



Capecover – Winner of the 2010 Adelaide Casino Adelaide Cup

The funding for this was assisted by a \$6 million grant from the State Government which I was pleased to negotiate on behalf of the Industry. The total capital expense of the redevelopment was over \$13 million and Thoroughbred Racing SA lent the Club \$7.8 million to complete the project. This amount, plus interest, will be repaid as soon as the Club's surplus land is able to be sold.

It is anticipated that the Club will have a significant sum to invest when the legal challenge instigated by the Gawler City Council is dealt with.

Murray Bridge Racing Club

The Murray Bridge Racing Club had the foresight to seize upon an opportunity to acquire an option to buy three parcels of farmland.

Thoroughbred Racing SA provided the Club with financial support and commercial assistance to enable it to exercise its option. The Club was thereby able to conclude the purchase of 810 hectares of farm land, on which a new racecourse and training facility will be built. These facilities will be owned unencumbered by the Club and the Club will also have ownership of 20 hectares alongside the new racecourse which will be either sold or leased to trainers.

A joint venture has been formed between Burke Urban, the Murray Bridge Racing Club and the Industry, through Thoroughbred Racing SA, to undertake a residential development on the balance of the property, which will be an exciting new expansion for Murray Bridge and its environs. The Minister for Planning has granted a Development Planning Approval which will enable up to 3,500 houses and other commercial developments to be built on the land.

Thoroughbred Racing SA was able to assist the Club in achieving these outcomes in the following four ways:

- The Murray Bridge Racing Club did not have the financial capacity to settle the contract at the relevant time and Thoroughbred Racing SA assisted the Club by arranging and guaranteeing a bank loan of \$5 million.

- Thoroughbred Racing SA provided the commercial expertise, of both its management and members of its Board to negotiate the joint venture agreement, on behalf of Thoroughbred Racing SA, representing the Industry, and the Club, in conjunction with Minter Ellison.
- Thoroughbred Racing SA funded the interest payments on the bank loan until the joint venture agreement was entered into and funding from the joint venture partner enabled the loan to be repaid.
- Thoroughbred Racing SA funded all costs incurred during the interim period between the purchase of the new site and securing the agreement with, and the reimbursement of those costs by the joint venture partner, which along with the aforesaid interest payments, amounted to in excess of \$1 million. This amount was provided by Thoroughbred Racing SA to the Club interest free, and subsequently repaid.

Recognising that the financial assistance that was provided to the Club was, in fact, monies of the South Australia thoroughbred racing industry, and that the commercial risk that was assumed by Thoroughbred Racing SA was, in fact, risk assumed by the Industry as a whole, the Company took the decision that it was only reasonable that the Industry be compensated for its initiatives and risk. Accordingly, Thoroughbred Racing SA secured an agreement with the Murray Bridge Racing Club to assign 20% of its equity in the joint venture to Thoroughbred Racing SA. As a result the joint venture comprises 50% Burke

THOROUGHBRED RACING SOUTH AUSTRALIA: **Chairman's Report**

Urban, 40% Murray Bridge Racing Club and 10% Thoroughbred Racing SA.

This interest in the joint venture may, at some time in the future, result in the industry receiving a 10% share of the residual profit from the real estate development. This future revenue stream, which will not be realised for many years, will be an important source of revenue for the South Australian racing industry and will further help diversify the revenue base of the Industry. Properly managed, the Murray Bridge Racing Club seems destined to become a wealthy club.

Strathalbyn and Mount Gambier Racing Clubs

When this Board was appointed three years ago, the Strathalbyn and Mount Gambier Racing Clubs, were surviving with the assistance and cash flows from Thoroughbred Racing SA. In both cases Thoroughbred Racing SA was the major creditor to each club and no security was in place for the benefit of the Industry as a whole. It is pleasing to note that in the case of the Strathalbyn Racing Club, the entire unsecured loan has been repaid, achieved to a large extent through the hard work and voluntary efforts of two Club Committee people, in particular.

In the case of the Mount Gambier Racing Club, the repayment to the Industry has commenced with the sale of one Club property and a Development Plan Amendment has now been obtained for some remaining surplus land that will facilitate repayment of a large part of the debt.



Kerrin McEvoy aboard Kidnapped, winner of the 2010 Betfair.com SA Derby, returning to scale.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Chairman's Report**

These commercial arrangements help to protect scarce Industry funds, and were achieved with no resistance but positive cooperation from these two Clubs.

However, it is disappointing that there are some Clubs who still have a mendicant attitude to Thoroughbred Racing SA, failing to recognise that this Company represents the interests of all of the industry's stakeholders. More effort is needed to instil a commercial approach to issues involving Clubs and the Industry.

Port Augusta Racing Club

With encouragement and assistance from Thoroughbred Racing SA, the Port Augusta Racing Club is in the process of obtaining a Development Plan Amendment to rezone 80 hectares of land the Club owns adjacent to the racecourse. There is also a proposal to install a waste water facility next to the course. Thoroughbred Racing SA arranged a meeting between Council, the Club and Thoroughbred Racing SA's CEO and myself, which led to Council including the required rezoning in its District Plan. If the Development Plan Amendment is approved, it is possible to envisage that it will be feasible to install a grass track, better shaped than the current oil dependent dirt track. Such a vision will offer a better alternative than at present and enable Port Lincoln based horses and others to locate there in the late autumn to early spring period when Eyre Peninsula racing does not operate.

Club Funding

The funding of race clubs is always a matter of contention and there is



Small Minds - Winner of the 2010 Schweppes Oaks

always a tendency on the part of clubs to claim that they are not adequately funded by the governing body. After all, if a club is successful in obtaining sufficient funding from Thoroughbred Racing SA, then it avoids having to make the hard decisions and to behave on a commercial basis at club level. During the last three years a number of changes have been made to club funding in South Australia, in order to assist them in becoming more financially viable. In 2006-07 clubs received from Thoroughbred Racing SA \$3.993M in funding (including International Sky revenues and funds for the Be Active programme which were redirected from Thoroughbred Racing SA). In 2009-10 the funding support from Thoroughbred Racing SA had grown to \$4.995M, an increase of 25.1%, with TRSA

retaining the two sources of funds it had previously redirected. In the 2010-11 budget, as the funding reform roll out is completed, the funding support will be \$5.425M. This will represent an increase in support for clubs of 38.4% in a four year period.

Marketing and Branding

The new marketing and branding of South Australian racing commenced in 2008-09 and has continued apace. The Company's revamped web site is the envy of other State bodies and is frequently accessed. A close relationship on marketing matters has been developed with the South Australian Jockey Club and for the first time there is consistent messaging between the State's principal Club and Thoroughbred Racing SA. Most of the Country and

THOROUGHBRED RACING SOUTH AUSTRALIA: **Chairman's Report**

Provincial clubs have worked in close harmony with the Thoroughbred Racing SA marketing department. However more needs to be done as there still some clubs who seem to believe that they do not need any assistance and/or appear reluctant to become part of the Industry's umbrella branding and marketing.

Jumps Racing

Thoroughbred Racing SA has stood firm in its support for jumps racing. Despite a request from our Minister for Racing to follow the lead of Racing Victoria Ltd who under pressure from the Victorian Racing Minister in 2009 suspended jumps racing for a period, we refused to abandon the local jumping fraternity. While there have been calls by some minority interest groups demanding we stop jumps racing, we have continued jumps racing in South Australia, in a professional manner as the local racing Industry would expect. We have established an effective Jumps Review Panel to assess all jumping events, and to provide appropriate recommendations to improve the safety of participants, rather than respond to the sensationalist claims of a minority.

I am pleased that the commitment of my Board to this aspect of the sport of thoroughbred racing has secured the continuation, for the time being at least, of the iconic Oakbank carnival.

Government

I will take this opportunity to acknowledge the support that the Industry has received from the State Government as well as the State Opposition. The Government, the

Premier and Racing Minister Wright have recognised the significant contribution that this Industry makes to both the economy and the culture of the State. The Industry has also received strong support on particular issues from Deputy Premier Foley and Ministers Conlon and Holloway.

The Industry is indebted to them for:

- The gradual phasing out of the tax on betting turnover and redirecting the foregone taxation to the three racing Codes in return for implementing Industry governance reforms.
- The \$6 million grant to Thoroughbred Racing SA towards the redevelopment for the Gawler racetrack and associated facilities.
- The \$5 million grant to the SAJC for the construction of Morphettville Parks.
- The swift and effective amendments to legislation to introduce Betting Operations Contribution.
- The preparedness of the Government planning agency to consider well reasoned arguments to issue Development Plan Amendments for land owned by Murray Bridge, Gawler and Port Augusta Racing Clubs.
- The ongoing support of the Industry by the Governor, government ministers and members as well as members of the Opposition. Industry participants appreciate the time and commitment that each makes in supporting our premier race days, which continues to be important to the ongoing success of thoroughbred racing in the State.



Al Garhood - Winner of the 2010 Scott Group of Companies Von Doussa Steeplechase

Finally I would like to take this opportunity to thank the Directors of Thoroughbred Racing SA that I have worked with over the past three years. I would particularly like to thank the hard working and diligent Thoroughbred Racing SA management and staff for their cooperation and their dedication. On behalf of the other outgoing Directors, Greg Boulton and Andrew Killey I welcome the three newly appointed Directors and I look forward to observing the added value they bring and seeing the Industry continuing to build in a positive fashion over each of the next three years.

A handwritten signature in black ink, appearing to read 'Philip Bentley'.

Philip Bentley
Chairman

Chief Executive Officer's Report



Jim Watters Chief Executive

Key Financial Results

Following last year's outstanding result, which saw Thoroughbred Racing SA post a substantial surplus of \$6,764,118 for the year ended 30 June 2009, which in turn had followed on from four years of significant losses, it was pleasing to provide "back to back" surpluses in 2010. While the \$278,976 surplus for the year ended 30 June 2010 was vastly different to the 2009 result, it was nonetheless a surplus and was posted despite the two major expenditure items, Prizemoney and Industry Payments, increasing by a combined \$6,186,529.

Total revenue at \$40.834m was down \$329,276 (-0.8%) and was adversely affected by a one-off payment required to be made to Racing Victoria Limited. Following a successful challenge to the Victorian Racefields Legislation, the Victorian State Government amended its legislation to rectify the issue and in doing so also backdated the implementation of the legislation to 4 September 2008 instead of the previous 1 March 2009 date. UNiTAB had made all payments due under the previous legislation, and had recovered thoroughbred's share

from Thoroughbred Racing SA as they are entitled to do under the Racing Distribution Agreement. However this change to the Victorian legislation, required a further and unbudgeted payment of \$1.865m.

As reported in the 2009 Annual Report, the Board had previously resolved to retain a major portion of the additional revenue achieved in the 30 June 2009 year to adopt a more structured approach in the implementation of prizemoney increases. Utilising a large portion of the 2009 retained revenue, the Board brought forward the proposed 2012/13 prizemoney increases, which became effective from February 2010. Prizemoney provided in the year ending 30 June 2010 increased by \$4.05m (+16.26%), totalling \$28.972m for the year under review.

Over the past 12 months the Board has also taken the opportunity to implement a new club funding model, to address club funding issues and the financial viability of South Australian racing clubs generally. Industry Payments increased by \$2.135m (+58.13%) to \$5.807m. Thoroughbred Racing SA now takes responsibility for the bulk of the Club race day operational costs, including vision, ambulance and a number of raceday staff, continuing the Board's strategy of allowing Clubs to focus more on the race day "event" itself.

Direct payments to Clubs, included under Industry Payments, such as Training Subsidies & Trial Payments, Club Promotion & Operational Purposes and Club Capital Expenditure (Grants), were increased by \$893,000 (+34.41%), with total payments of \$3.487m.

While the net revenue now received from Betting Operations Contributions (BOC) is a significant source of income

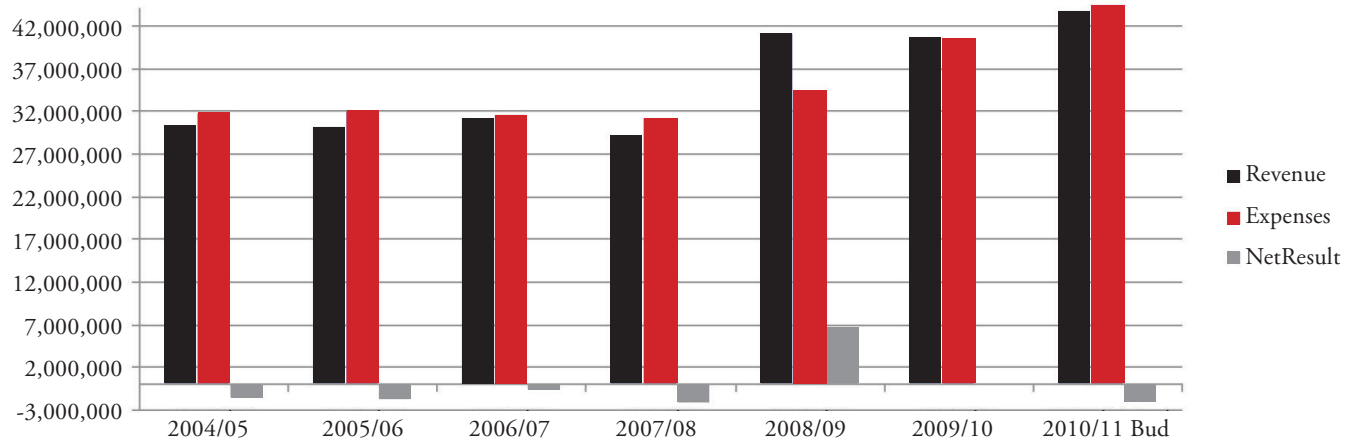
for Thoroughbred Racing SA, the most important source of revenue for the South Australian racing industry remains the SA TAB through the TAB Product Fees it pays. This comprised 71.3% of the 2009/10 year revenue. Local racing supporters and participants should recognise the importance of the SA TAB to the local racing industry and ensure they support them accordingly. The income to the South Australian thoroughbred racing industry from each \$100 wager on a South Australian race is approximately \$4.30 compared to 70 cents if placed with a corporate bookmaker or another State's TAB.

The comparative income for net BOC in the 2009/10 and 2008/09 years is of course distorted by the one off payment to Racing Victoria Limited this year, for the new backdated period of 4 September 2008 to 1 March 2009. A true comparison after adjusting for that payment sees net BOC income being 15% of Thoroughbred Racing SA's revenue and reflecting a 19% growth year on year.

It must be stressed when considering Thoroughbred Racing SA's revenue streams, that while the SA TAB is our greatest funding provider, wagering on South Australian races only accounts for some 15% of our income from the SA TAB. Total income from all wagering operators betting on South Australian racing equates to approximately 35.8% of our revenue.

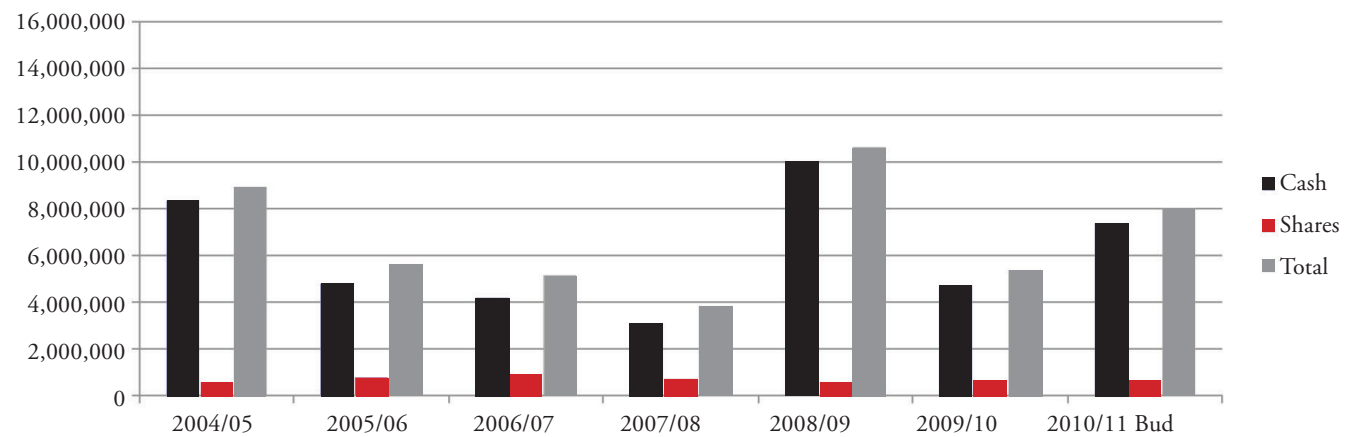
Overall Company Profitability and Reserves

The chart below shows the Company's operating results for the last six financial years.



	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11 Bud
Revenue	30,277,528	30,230,870	31,187,859	29,116,726	41,163,197	40,833,921	43,706,524
Expenses	31,892,872	32,047,203	31,738,141	31,255,121	34,399,079	40,554,945	45,602,028
Net Result	(1,655,344)	(1,816,333)	(550,282)	(2,138,395)	6,764,118	278,976	(1,895,504)

The chart below shows the Company's cash reserves and value of share holdings as at 30th June 2010.



	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11 Bud
Revenue	30,277,528	30,230,870	31,187,859	29,116,726	41,163,197	40,833,921	43,706,524
Expenses	31,892,872	32,047,203	31,738,141	31,255,121	34,399,079	40,554,945	45,602,028
Net Result	(1,655,344)	(1,816,333)	(550,282)	(2,138,395)	6,764,118	278,976	(1,895,504)

THOROUGHBRED RACING SOUTH AUSTRALIA: Chief Executive Officer's Report

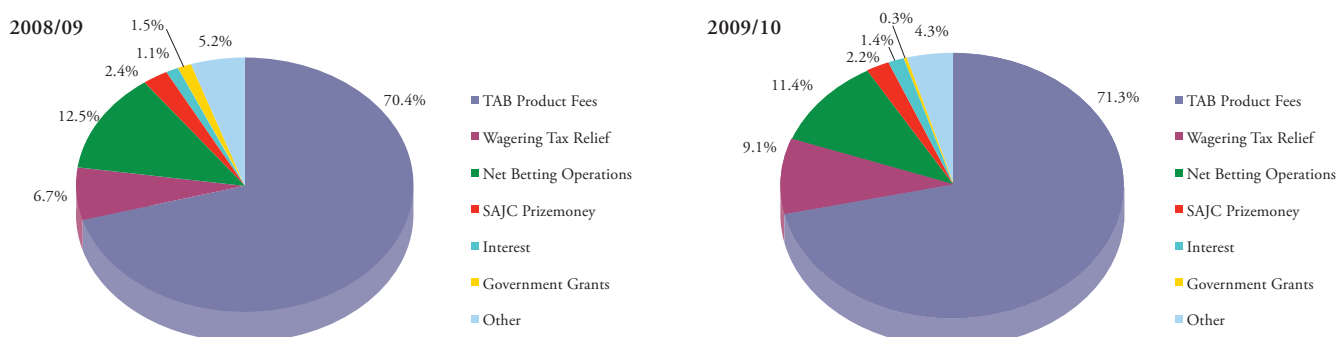
The data for 2007/08 and 2008/09 does not include State Government Grant Funds received for the Gawler redevelopment, the balance of which at reporting date was \$6.0m and \$5.25m for the two years respectively, this amount was nil at 30th June 2010.

The change in cash in 2009/10 is due to the increase in monies loaned to clubs that are not treated as "cash" for the above purposes.

The improvement in the position in 2010/11 is due to the majority of these loans being repaid in full during the 2010/11 financial year.

Revenue

The charts below show the proportion of revenue for each class of revenue for the last two financial years.



	2008/09		2009/10		Change	
TAB Product Fees	28,997,977	70.4%	29,116,335	71.3%	118,358	0.4%
Wagering Tax Relief	2,764,415	6.7%	3,730,086	9.1%	965,671	34.9%
Net Betting Operations	5,142,347	12.5%	4,638,319	11.4%	(504,028)	-9.8%
SAJC Prizemoney	1,000,000	2.4%	900,000	2.2%	(100,000)	-10.0%
Interest	468,916	1.1%	554,741	1.4%	85,825	18.3%
Government Grants	633,000	1.5%	120,000	0.3%	(513,000)	-81.0%
Other	2,156,542	5.2%	1,774,440	4.3%	(382,102)	-17.7%
TOTAL	41,163,197	100.0%	40,833,921	100.0%	(329,276)	-0.8%

2009/10 Net Betting Operation Contributions (BOC) is after deductions of \$8.6m (2008/09 \$3.5m) relating to charges incurred by the SA TAB from other States racefiles' legislation, the equivalent of SA's Betting Operation Contributions, under the Racing Distribution Agreement, they are entitled to recover from the Codes. The 2009/10 deduction of \$8.6m includes charges of \$1.865m incurred as a result of changes to the Victorian legislation that allowed RVL to backdate the start date to 4th September 2008, rather than the previous start date, 1st March 2009.

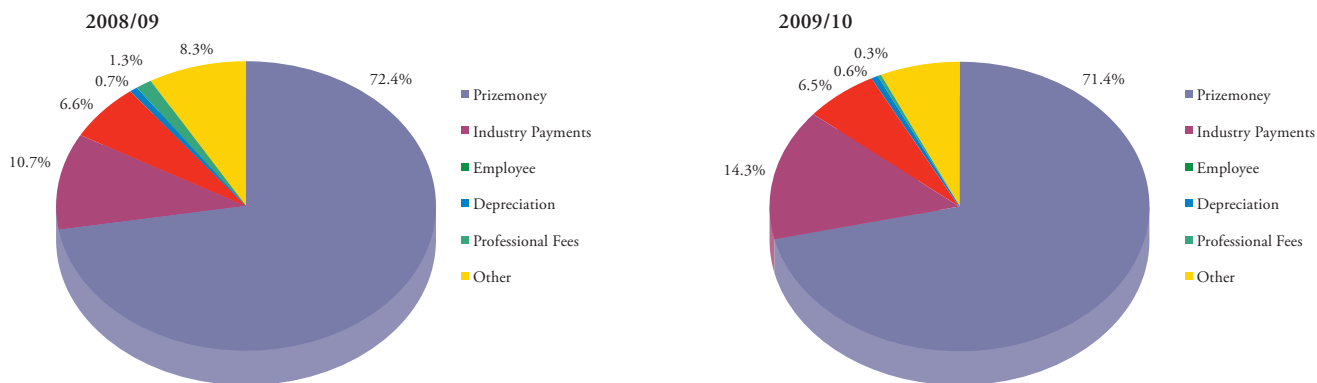
Government Grants are down due to the removal of funding in the amount of \$513k from the State Government that was provided for a three year term to promote the change of date for the Adelaide Cup.

Other Revenue includes Screening and International Rights, SABOIS registration fees, Industry participants' registration fees, Calendar advertising and subscription together with other sundry revenue items.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Chief Executive Officer's Report**

Expenses

The charts below show the proportion of expenses for each department for the last two financial years.



	2008/09		2009/10		Change	
Prizemoney	24,921,387	72.4%	28,972,853	71.4%	4,051,466	16.3%
Industry Payments	3,672,893	10.7%	5,807,956	14.3%	2,135,063	58.1%
Employee	2,266,022	6.6%	2,626,338	6.5%	360,316	15.9%
Depreciation	240,315	0.7%	226,079	0.6%	(14,236)	-5.9%
Professional Fees	451,827	1.3%	116,046	0.3%	(335,781)	-74.3%
Other	2,846,635	8.3%	2,805,673	6.9%	(40,962)	-1.4%
TOTAL	34,399,079	100.0%	40,554,945	100.0%	6,155,866	17.9%

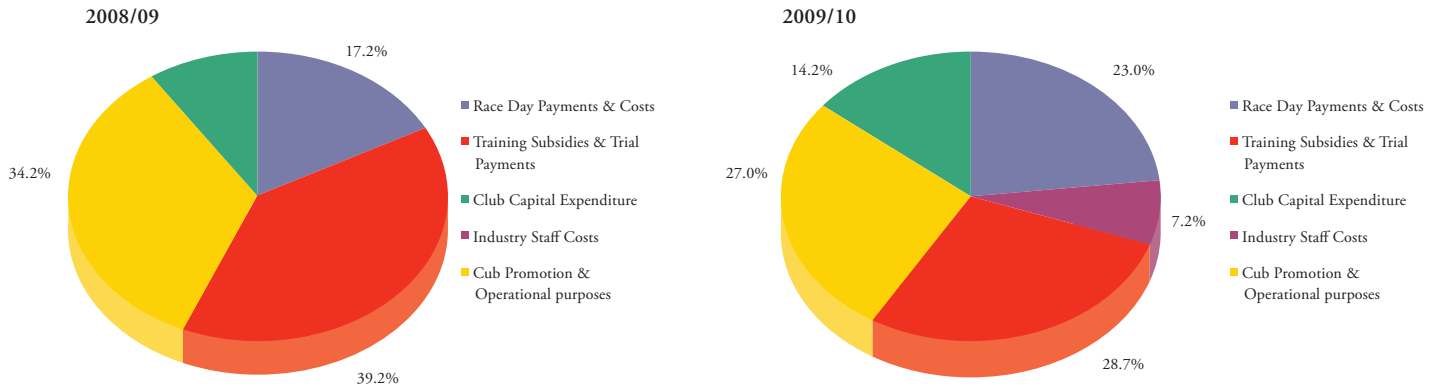
Industry Payments include Training Subsidies and Trial payments \$1.43m, Marketing Grants \$0.98m, Jockeys' WorkCover and Insurance \$0.81m, Raceday Payments and Costs \$1.15m, Club Capital Grants \$0.71m.

Employee Expenses are higher due to the raceday staff now being employed by Thoroughbred Racing SA rather than the Clubs and the wages across the organisation being increased to reflect comparative interstate wages.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Chief Executive Officer's Report**

Industry Payments

The charts below show the proportion of expenses for each expense item for the last two financial years.



	2008/09		2009/10		Change	
Race Day Payments & Costs	540,000	8.6%	1,147,152	11.5%	607,152	112.4%
Industry Staff Costs	-	0.0%	359,739	3.6%	359,739	n/a
Training Subsidies & Trial Payments	1,228,942	19.6%	1,434,000	14.4%	205,058	16.7%
Club Promotion & Operational purposes	1,072,806	17.1%	1,346,732	13.5%	273,926	25.5%
Club Capital Expenditure	293,047	4.7%	707,066	7.1%	414,019	141.3%
TOTAL	3,134,795		4,994,690		1,859,895	59.3%

Club Capital Grants

Club	Project	\$Amount
Balaklava	Perry Trade Services - Electrical Works Infield	4,380.00
Balaklava	Bore Holes X 9 - Balaklava Racing Club	1,500.00
Balaklava	Consultancy Services track report	8,600.00
Balaklava	Add A Starters Catwalk to The Starters Gates	1,440.30
Balaklava	Jockey Rooms upgrade	30,000.00
Bordertown	Capital Grants Funding - Renovation Of Jockeys Rm/Secretary'S Office	20,000.00
Bordertown	Assist With Re-Establishment Of The Victoria Park Betting Ring At Bordertown	22,500.00
Ceduna	Paving, PA System And Airconditioner	13,205.46
Clare	Verandah Extension Dunstan Pavillion	8,000.00
Clare	Replace Bore	11,735.82
Hawker	Upgrade Female Jockeys Room, Upgrade Shelving In Bar - Indoor, Painting Of Ext Woodwork	5,000.00
Jamestown	Extend Bookmakers Covered Area	5,000.00
Kangaroo Island	Reimb For Repairs To Ladies Toilets	5,000.31
Kimba	Capital Funding 2009/10	5,000.00
Lock	Capital Funding 2009/11	5,000.00
Millicent	Minor Capital Grant Funding For 2009/10	5,000.00
Mindarie	Track Irrigation Upgrade	2,671.05
Mt Gambier	River Sand For Steeple Track	40,905.00
Mt Gambier	Prof Services Re Track Review	8,146.00
Murray Bridge	Small Business Server	4,845.45
Naracoorte	Capital Grant Funding For 2009/10	5,000.00
Oakbank	Capital Grant For Relocation Of Judges Box And Roofing/Ceiling Of Corporate Boxes	100,000.00
Penola	Capital Grant - Irrigation System	5,000.00
Penong	Capital Grant For 2009/10 - Penong Racing Club	3,970.35
Penong	Capital Grant Funding For 2009/10 - Penong -	1,029.65
Pt Augusta	Painting Grandstand - Pt Augusta	21,862.00
Pt Augusta	Minor Capital Works - Veolia, Mini Pave And Crombies Invoices	5,000.00
Pt Lincoln	Capital Grant For Upgrade Of Female Jockey Room	40,000.00
Quorn	Erect New Fence, Partition And New Door Frame	5,000.00
Roxby Downs	Pavers At Members Bar And Secretary's Hut Extension	5,000.00
SAJC	2009-10 capital projects	250,000.00
Strathalbyn	New Computers	5,000.00
Strathalbyn	Starters Catwalk	1,541.50
Strathalbyn	Irrigation Review	2,990.00
Strathalbyn	Review Strathalbyn drainage and camber issues at track	5,525.00
Streaky Bay	Shed	5,000.00
Streaky Bay	Jockeys Room & Toilet Upgrade	37,218.50
TOTAL		707,066.39

Legal Challenge

In March 2010, Sportsbet commenced proceedings in the Supreme Court against the State of South Australia and the three racing Codes (Thoroughbred Racing SA, Harness Racing SA and Greyhound Racing SA), challenging the validity of Sections 62E to 62G of the Authorised Betting Operations Act 2000 (SA). In essence this challenge was over the constitutionality of the legislation which provided the Codes with the ability to charge BOC on all wagering operators who take bets on South Australian races. Sportsbet had issued similar proceedings in other States against their Racefields legislation. The State Government remains extremely confident as to the legality of its legislation. Racing SA (comprising the three Codes) and Thoroughbred Racing SA have been undertaking "Without Prejudice" negotiations as to a possible out of court settlement and these negotiations have been progressing very positively, similar to agreement already reached between Racing Victoria Limited and Sportsbet on similar matters.

Racecourse Development

The redevelopment of the Gawler Racecourse was completed in the 2009/10 season with the South Australian Premier, Mike Rann, opening the new track and function centre at the Club's first race meeting back at Gawler after a fifteen month closure, on Wednesday, 14 July 2010. It was fitting that the Premier opened the

redeveloped track and facilities as the State Government had provided \$6m towards the \$13.8m development cost. The balance of the project cost will be paid for from the proceeds of the Gawler and Barossa Jockey Club's sale of its surplus land adjoining the course. In February 2010, the Minister for Urban Development and Planning finally approved the Development Plan Amendment which rezoned the land, and once sold the proceeds will not only clear the Club's debt in terms of the \$7.8m balance of the redevelopment cost, but will secure the Club's future as an important community facility in the wider Gawler region.

The Gawler Racecourse redevelopment has seen a complete realignment, regrading and resurfacing of the track, which now has excellent cambers into and out of the straights. The home straight has been lengthened to 320 metres, a far cry from the previous 200 metre straight, and a new grass training track, sand track and warm-up track have been installed. Rather than build an old "traditional grandstand" structure, a multipurpose function centre was built, which better suits the requirements of today's racegoers, while also serving as an important community facility on non race day, and an important revenue source for the Club.

The next major racecourse development in South Australia will be the construction of a new racecourse and equine centre at Murray Bridge. This exciting project will see a complete new racetrack, training centre and Club

and community facilities built on a green-field site, virtually alongside the South Eastern Freeway. Ultimately the racecourse will be part of a development on the 800ha site, which will include a small town centre and some 3500 homes, with both the Murray Bridge Racing Club (40%) and Thoroughbred Racing SA (10%) joint venture partners with Bourke Urban and its investors, in this long term development and investment. The new racecourse and the adjoining equine precinct will of course be 100% owned by the Murray Bridge Racing Club.

Groundworks have already commenced on the site of the new track and it is intended that racing on the new racecourse will commence at the end of 2012. Importantly the present Murray Bridge racecourse will not close until the new track is completed and ready for racing. Also, the necessary Development Plan Amendment, allowing for the overall development, has been approved and gazetted.

Race Classification and Programming Review

During the 2009/10 season a complete review was undertaken of South Australia's race classifications and programming across all meetings. With all wagering revenue providing 82.7% of Thoroughbred Racing SA's revenue, rising to 91.8% when the wagering tax relief (based on wagering turnover) is included, maximising field sizes on our best wagering days is vital in providing the funding to underpin the

racing industry and the initiatives being undertaken.

The review was intended to identify how best to utilise the existing pool of horses while we endeavour to grow horse numbers and participation off the back of the initiatives put in place. Thoroughbred Racing SA management consulted with trainers and Clubs during the process, with the Board endorsing the agreed changes which came into effect from 1 August 2010. The changes saw classes streamlined by about a third, reducing from eight to five, and a greater move to Rating Band races, which is also a national trend. The position will continue to be monitored, and as was highlighted when the review commenced, it will ultimately be a number and range of changes and adjustments which will provide the desired improvement, rather than a "silver bullet" to resolve all the issues.

Resources Provided to Clubs

As well as addressing Club funding issues and the implementation of a new Club funding model, Thoroughbred Racing SA now provides additional resources which are available to Clubs in the areas of Occupational Health & Safety requirements, liquor licensing and marketing.

In December 2009 an Industry Operations Manager was appointed. Through this position Thoroughbred Racing SA provides assistance to and has a resource available to all Clubs, with regards their OH&S and race day liquor licensing compliance issues. These two areas present growing challenges and concerns for Clubs and the racing

industry as a whole, and it is imperative we develop a central platform to address the issues being identified, and to liaise with the various government agencies involved.

In my 2009 Chief Executive Officer's Report I made mention of the rebranding exercise which had just been launched to rebrand and market the South Australian racing industry. This has progressed well with growing recognition of the brand under the banner, "*THERE'S NOTHING LIKE A DAY AT THE RACES*".

Thoroughbred Racing SA's marketing team of three now provides a valuable in-house resource for Clubs in marketing of their key race days and the Thoroughbred Racing SA industry brand itself. One staff member works directly with Provincial and Country racing Clubs while another works with the South Australian Jockey Club through a formal agreement with the Club to market their key race days.

South Australian Racing Awards

I once again take this opportunity to congratulate all of the winners and to thank each of the sponsors of the various categories comprising the South Australian Racing Awards for 2009/10. We saw some excellent performances throughout the season while outstanding achievements by some of the South Australian racing stalwarts, administrators and Clubs were again recognised at the award's function.

Conclusion

Racing participants in South Australia are more optimistic as to the future of thoroughbred racing in the State than they were two to three years ago, no doubt boosted by the significant prizemoney increases which have now been fully implemented.

The challenge of course is to maintain and increase the momentum generated over the past 2-3 years, to ensure the ongoing, and importantly sustainable growth, to provide a vibrant future for racing in South Australia. The Thoroughbred Racing SA Board and Management remain focussed on developing and achieving a vibrant and financially sound racing industry, from both a Club and participant perspective.

Finally, I once again congratulate and thank all of the staff at Thoroughbred Racing SA for another excellent year, for the contribution they have made to the growth and success of thoroughbred racing in the State, and their efforts in implementing the Board's policies and strategies.



Jim Watters
Chief Executive

South Australian Racing Awards

Award	Winner
E.J. Mooney Medal for 2009/10 South Australian Jumps Jockey of the Year	Arron Lynch
2009/10 South Australian Jumps Trainer of the Year	Eric Musgrove
2009/10 South Australian Country Apprentice of the Year	Libby Hopwood
2009/10 South Australian Metropolitan Apprentice of the Year	Libby Hopwood
The Promo Place 2009/10 South Australian Most Consistent Racehorse	Catapulted
The 2010 Minister for Racing Award for Most Outstanding Achievement by a Volunteer	John McKinnon
The 2010 Minister for Racing Award for Most Outstanding Achievement by a Volunteer	Peter McEvoy
2009/10 South Australian Country Jockey of the Year	Matthew Neilson
John Letts Award for 2009/10 South Australian Jockey of the Year	Simon Price
2009/10 South Australian Country Trainer of the Year	Mick Whittle
2009/10 South Australian Metropolitan Trainer of the Year	Mark Kavanagh
Leon Macdonald Award for 2009/10 South Australian Apprentice of the Year	Libby Hopwood
CS Hayes Award for 2009/10 South Australian Trainer of the Year	Mark Kavanagh
Glennon–Johnson Award for 2009/10 South Australian Metropolitan Jockey of the Year	Chad Lever
Sky Racing 2010 Most Outstanding Achievement Award by an Individual	Roger Williams
Sky Racing 2010 Most Outstanding Achievement Award by a Club	Bordertown Racing Club
Festival Hire 2009/10 South Australian Champion Racehorse of the Year	Majestic Magic

Chairman Of Stewards' Report



Graham Loch Chairman of Stewards

The Stewards' Department continues to provide a diverse range of services to the Industry, with the emphasis on maintaining integrity as well as focussing on safety and welfare aspects. Additionally, the Department also manages the licensing of all Industry participants and conducts the function of Deputy Registrar dealing with the registration of transfers, leases and syndicates.

Both the Chairman of Stewards and the Industry Veterinarian, Dr. Peter Horridge, attended their respective National Advisory Group meetings. The Department continued to liaise and consult with Clubs and stakeholder groups on a range of strategic, integrity and safety issues.

Personnel

While the Department saw the departure of Tim Williamson (Steward) and Kevin Glover (Racecourse Investigator), both of whom served Thoroughbred Racing SA well during their tenure but decided to explore other

opportunities, it gained the services of new Stewards Dan Verberne, Andrew Hayles and Craig Deakin. We welcome Dan, Andrew and Craig to the team.

Inquiries / Investigations

During the course of the year the Stewards' Department undertook sixty-eight (68) significant investigations outside the usual race day activities, such as riding offences and prohibited/banned substances.

Riders incurred penalties as a consequence of riding offences, mostly careless riding, on fifty-seven (57) occasions. This figure remains similar to previous years. One rider appealed the Stewards' decision before the Racing Appeals Tribunal. The appeal was dismissed.

Whip Offences

Following the introduction of new whip rules from 1 August 2009, and its subsequent amendment in September 2009, the Stewards' Department conducted seventy-seven (77) inquiries, fifty-nine (59) of which resulted in a monetary penalty and eighteen (18) resulted in suspensions. A number of these cases involved one "cause of action" which resulted in multiple breaches of sub-rules. In addition, a number of riders were reprimanded during the period.

Considering the significance of the changes implemented in this area and the time riders were afforded to adapt to the new provisions, the Stewards' Department is encouraged by the commitment shown by the rider group

to comply with the new Rules. In the main, most riders have now adapted quite well to the requirements and have made the appropriate adjustments to the use of their whips.

It is also important to note that only padded whips of a type approved by the Board may be used in races, trials, jump-outs and track work.

Drug Testing Strategy

Thoroughbred Racing SA Limited continues to allocate substantial funds to ensure a robust sampling strategy underpins the integrity effort.

Samples - Horses

During the 2009/10 season, pre-race blood sampling levels (for the purpose of TCO₂ testing) showed a marginal increase when compared with the previous season and continued to be complimented by stable inspections and random race morning stable visits, which also included additional sampling.

Pre-race sampling was again conducted at all South Australian TAB race meetings.

The new protocol introduced in August 2008 in which the trainers of runners recording elevated TCO₂ readings were provided with written notice at the time of an extensive stable inspection, continued in the season under review. Essentially, the protocol seeks to alert trainers to review stable management or husbandry practices so as to prevent the occurrence of a report above the permitted 36.0mml. Written notice was provided to fourteen (14) trainers during the year who had presented

THOROUGHBRED RACING SOUTH AUSTRALIA: **Chairman Of Stewards' Report**

horses deemed to have an elevated TCO2 level. The following samples were tested during the year –

	2009/10	2008/09
Post-race urine samples	1074	937
Pre-race blood samples (TCO2)	1079	929
Post-trial urine samples	17	0
Non-Race Day samples	161	111
No. of positive tests	2	4

Samples - Riders

Random sampling strategies continue to be applied at trackwork, official trials, jump outs and race meetings, so as to ensure the workplace is a safe environment for all participants.

Sampling involves breath testing, saliva samples and urine samples.

	2009/10	2008/09
Jockey Samples - Urine	76	70
Trackwork Rider Samples - Urine	34	17
Saliva samples	0	37
Breath Testing	282	289
Positive tests	8	2

Licensing

The Stewards' Department is responsible for the review of all applications for licence registration in the South Australian thoroughbred racing industry, and confirmation of the appropriate credentials and experience as well as the management of licensing records.

During the 2009/2010 Racing Season, the following licences were processed by the Department. The numbers are comparable with those issued in the previous year.

	2009/10	2008/09
Trainers	336	332
Jockeys	41	37
Apprentices	16	13
Interstate Jockeys	75	84
Interstate Apprentices	21	23
Stablehands	487	532
Stablehand / Trackwork Riders	233	211

Apprentice Education and Recruitment

The education of Apprentice Jockeys continues to be a priority for the Authority.

The Thoroughbred Racing SA Limited Apprentice Academy, under the supervision of the Training Supervisor, Bill Forrestal, continues to serve the needs of the Industry with twenty (20) young riders enrolled.

Our valued partnership with the SA TAB continues. As a result of the partnership and with the support of the SA TAB, the Dux of the Apprentice Academy, Libby Hopwood, spent two weeks in Singapore and rode at four race meetings securing a total of twelve (12) rides.

Once again our apprentice riders performed competitively in the National Apprentice Series with Melissa Walters winning the South Australian leg. Overall South Australia finished in fourth position.

In the course of the year, the Industry again participated in a number of careers and recruitment events to profile the opportunities available within the Industry. Various schools and recruitment organisations were provided with an insight into the Industry through race day tours. In addition, the Apprentice Academy has also formed an alliance with the Marcellin Technical College. Two of our apprentices are continuing their further education through the college.

The Annual Apprentice Awards Evening was conducted in the South Australian Jockey Club's Phar Lap room in late



Kidnapped - Winner of the 2010 Betfair.com SA Derby

November 2009. Bruce McAvaney was the guest speaker at the successful evening. Apprentice Libby Hopwood was awarded the Dux of the Academy and proved her worth by finishing third on the Metropolitan Premiership Table.

Jumping Review Panel

The panel members Messrs. Richard Best, John Cornell, Dr. Peter Horridge and panel co-ordinator Senior Steward Philip Anderson continued to perform their functions with the same level of professionalism and enthusiasm as previously exhibited.

The functions of the Jumping Review Panel are to –

- (a) review all races and official jumps trials that have been conducted, including the review of recorded vision;
- (b) analyse recorded vision of all races and official jumps trials and to report with respect to –
 - (i) the performance of each horse and jockey;
 - (ii) the circumstances of any incident; and
 - (iii) the possible cause or causes of any incident (including a review of the hurdle/steeple involved).
- (c) comment on whether a horse has performed in an Official Jump Trial in accordance with the Official Policy Qualifications;
- (d) comment on whether as a result of a horse's race performance its qualification to race should be revoked or suspended and if so, on what conditions;
- (e) where appropriate require a rider to attend the Review Panel for assistance, tuition and guidance;
- (f) when required, provide assistance and advice to the Board and the Stewards on matters concerning jumps racing, which includes directing a rider to undertake further jumps training and trials;
- (g) make observations regarding the suitability of tracks to conduct jumping events and the appropriate placement of jumps at these tracks; and
- (h) consider appropriate standards in relation to the ongoing education and training for all persons who hold a licence or permit to train jumps horses.

The Jumping Review Panel has provided valuable and informed insight with respect to a number of matters throughout the season.



G. M. Loch
Chairman of Stewards



Rostova - Winner of the 2010 Sportingbet Classic



THOROUGHBRED RACING SOUTH AUSTRALIA

FINANCIAL REPORT 2010

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Directors' Report

The directors present their report together with the financial report of Thoroughbred Racing SA Limited ("the Company") for the period ended 30th June 2010 and the auditor's report thereon.

Directors

The directors of the Company throughout the financial year are:

Name and Qualifications	Experience and Special Responsibilities
<p>Mr Philip Bentley BA (Hons) M(Ec) Chairman</p>	<ul style="list-style-type: none"> • Mr Bentley is an economist. He has worked in the racing industry for a considerable period and conducted an inquiry into the industry for the State government. • He is Chairman Workcover Corporation and holds board positions on a number of privately owned companies • Member - Race Dates Committee • Member - Finance Committee
<p>Mr Greg Boulton BA (Acc), FCA, FCPA, FAICD Deputy Chairman Resigned 26th May 2010</p>	<ul style="list-style-type: none"> • Mr Boulton is a chartered accountant with considerable experience in connection with sport and entertainment, including his present role with motor sports and his former role as Chairman of the Port Adelaide Football Club. • He is Executive Chairman Paragon Equity Limited and a director of K&S Corporation, Statewide Superannuation Fund, South Australian Motor Sports Board, Southern Gold Limited and a number of privately owned companies • Member - Marketing Committee
<p>Mr Andrew Killey</p>	<ul style="list-style-type: none"> • Mr Killey is a marketing, advertising and media consultant and Chairman kwp!, an advertising and marketing firm. kwp! have provided marketing and strategic services to the racing industry since 2002 and have been involved in the "legs" campaign for the SAJC and the "ants" campaign for Oakbank. • He provides strategic advice to many of South Australia's marquee events including The Clipsal 500, The Tour Down Under, The Adelaide Festival of Arts and Womadelaide. • Chairman – Marketing Committee
<p>Mr Brian Morris BA (Acc), LLB, FCA, FCPA, MAICD</p>	<ul style="list-style-type: none"> • Mr Morris is a chartered accountant and Partner of Edwards Marshall • He is a former member of the Companies Auditors Disciplinary Board and has served on the Board of the South Australian Film Corporation. He holds board positions on a number of privately owned companies • Chairman - Finance Committee • Member - Marketing Committee

THOROUGHBRED RACING SOUTH AUSTRALIA: **Directors' Report**

Name and Qualifications	Experience and Special Responsibilities
<p>Ms Eleanor F Nelson QC LLB</p>	<ul style="list-style-type: none"> • Ms Nelson is a barrister. She has considerable experience with the racing industry in this state. She has owned and trained thoroughbreds and served for 20 years on the committee of the Oakbank Racing Club. • She has conducted a number of inquiries into the Racing Industry on behalf of Government. • Ms Nelson also holds board positions on a number of privately owned companies. • Ms Nelson is the Chair of Parole Board of South Australia • Chairperson - Jumps Committee • Member - Race Dates Committee • Member - Finance Committee
<p>Mr Peter Pedler LLB (Hons) Resigned 23rd October 2009</p>	<ul style="list-style-type: none"> • Mr Pedler is a solicitor and a Partner of Duncan Basheer Hannon and has served the racing industry for some years. • He is Chairman Scantech Limited and a Board member of the McCracken Group.
<p>Mr David Rasheed BA (Acc), CA, FTIA</p>	<ul style="list-style-type: none"> • Mr Rasheed is a chartered accountant and is Senior Partner of Tilbrook Rasheed. He is involved in the industry as an owner and breeder and has served on the Board of the South Australian Jockey Club. • He holds board positions on a number of privately owned companies • Member - Finance Committee • Member - Race Dates Committee
<p>Mr Simon Ward LLB Appointed 12th November 2009</p>	<ul style="list-style-type: none"> • Mr Ward is a solicitor and Partner of Piper Alderman. He regularly advises on the Rules of Racing and legislation affecting the industry. • He is a Board member of YMCA INEA and the Legal Assistance Fund of the Law Society of SA.

Company Secretary

The secretary of the Company at the end of the financial year was:

Name and Qualifications	Experience and Special Responsibilities
<p>Mr Nicholas Redin BSc (Acc)</p>	<ul style="list-style-type: none"> • Mr Redin is the Chief Operating Officer of Thoroughbred Racing SA Ltd

Principal Activities

The Company is a company limited by guarantee. The company is the Controlling Authority for thoroughbred racing in South Australia.

The principal activities of the Company during the course of the financial year were to:

- (a) Regulate and control all aspects of thoroughbred horse racing including ownership, employment and participation;
- (b) Employ the personnel required to conduct race meetings and horse races;
- (c) Ensure the integrity of thoroughbred horse racing;
- (d) Effectively market and manage the South Australian Thoroughbred Racing brand; and
- (e) Prepare and implement plans and strategies for the management of the financial affairs of the thoroughbred horse racing code and for the development, promotion and marketing of the code in the state of South Australia.

General operations

The general operations of the company are to:

- (a) Receive distributions from SA TAB Pty Ltd from thoroughbred betting in South Australia;
- (b) Receive payments from organisations situated outside of South Australia that take bets on races conducted in this State;
- (c) Employ the personnel required to regulate the industry, plan and programme race meetings, conduct race meetings and remunerate participants in thoroughbred horse racing;

- (d) Make payments of prize money to owners, trainers and jockeys;
- (e) Provide financial support and management assistance to racing clubs throughout South Australia;
- (f) Negotiate vision rights with suppliers for thoroughbred races;
- (g) Represent the South Australian industry's relationship with the Australian Racing Board Ltd and other controlling authorities throughout Australia;
- (h) Manage the industry's relationship with the State Government, primarily through the Minister for Racing.

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

Review and Results of Operations

Review of Operations

The company's surplus for the year was \$ 278,976.

The result reflects increases in prizemoney and SABOIS bonuses paid of \$ 4.051m over the previous year together with an increase in club funding of \$ 1.860m.

The result also included a one off payment to Racing Victoria Limited in the amount of \$ 1.865 m relating to backdated changes to the Victorian Racefields legislation, which has had the effect of reducing the distributions that the company has received from wagering in that State on South Australian races.

Dividends

The Company's constitution prohibits the payment of dividends.

State Of Affairs

In the opinion of the Directors, no significant changes in the company's State of Affairs occurred during the year.

Events Subsequent To Balance Date

In the opinion of the Directors, no matters or circumstances have arisen since the end of the financial year which 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 financial years.

Likely Developments

The company will continue to strive to improve the viability of thoroughbred racing in South Australia and the return to industry participants. Whilst this will not alter the direction of the company's activities, particular initiatives that are being pursued include the following.

- The resumption of racing at Gawler following the completion of their new tracks and facilities which again should provide greater appeal to both those attending race meetings at Gawler as well as the wagering public with a consequential benefit to the industry from increased wagering revenue.
- An expanded number of TAB race meetings. The programmed meetings for 2010-11 racing season are 182 (2009-10 170). This has been achieved by increasing the number of TAB meetings including upgrading Kangaroo Island's Cup carnival to TAB status.
- The redevelopment of the Murray Bridge venue should result in a racetrack that has greater appeal to the wagering public with a consequential benefit to the industry from increased wagering revenue.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Directors' Report**

Directors' Meetings

The numbers of meetings of the board and board committees and the attendances of each director are set out in the following table:

Director	Board	Finance	Marketing	Race Dates	Jumps
Mr P Bentley	12	3		4	
Mr G Boulton*	8		2		
Mr A Killey	10		3		
Mr B Morris	11	3	3		
Ms E Nelson QC	12	3		4	2
Mr P Pedler*	4				
Mr D Rasheed	11	3		4	
Mr S Ward#	7				
Total Meetings Held	12	3	3	4	2

* Mr Boulton resigned on 26th May 2010 and Mr Pedler resigned on 23rd October 2009.

Mr Ward was appointed on 12th November 2009.

The board has also established a number of steering committees in respect of significant projects being undertaken at race clubs.

- Messrs Bentley, Rasheed and Pedler work(ed) on a committee with members of the Murray Bridge Racing Club Inc on the project to develop a new course and associated facilities at Murray Bridge.
- Mr Bentley is also Thoroughbred Racing SA Ltd nominated Director for Gifford Hill Pty Ltd, the joint venture company formed for the Murray Bridge Development.
- Messrs Bentley and Boulton work(ed) on a committee with members of the Mount Gambier Racing Club on a project to realise surplus real property adjacent to the club's facilities.

- Mr Bentley and Ms Nelson are working with members of the Port Augusta Racing Club on projects to realise surplus real property adjacent to the club's facilities and to redevelop the race course and facilities of that club.
- Messrs Bentley and Boulton and Ms Nelson work(ed) on a committee with members of the Gawler and Barossa Jockey Club Inc on the project that has developed a new race course and facilities at Gawler.



Philip Bentley
Chairman

Auditor's Independence Declaration



**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF THOROUGHBRED RACING SA LIMITED**

I declare that to the best of my knowledge and belief, during the year ended 30 June 2010, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck
Chartered Accountants

P. A. Taylor

P.A. Taylor
Partner

Dated this *22nd* day of September, 2010.
Adelaide

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

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ASSOCIATE
GLOBAL ALLIANCE OF
INDEPENDENT FIRMS

THOROUGHBRED RACING S.A. LIMITED

Financial Statements

Statement of Comprehensive Income

Thoroughbred Racing SA Limited. For the year ended 30 June 2010.

		30 June 2010	30 June 2009
	Note	\$	\$
Revenue	2	39,228,907	38,990,768
Other Income	3	1,020,000	1,672,367
Prizemoney	4	(28,972,853)	(24,921,387)
Industry payments	4	(5,807,956)	(3,672,893)
Employee expenses		(2,626,338)	(2,266,022)
Depreciation expenses		(226,079)	(240,315)
Legal Fees		(116,046)	(451,827)
Financial income	5	585,014	500,062
Financial expenses	5	-	(25,598)
Other expenses	6	(2,805,673)	(2,821,037)
Net Surplus / (Loss)	16	278,976	6,764,118
Other Comprehensive Income			
Gains/(losses) transferred to income statement		-	(25,598)
Change in fair value of equity securities available-for-sale		47,792	(87,289)
Total Comprehensive Income		326,768	6,651,231

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 32 to 46.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Financial Statements**

Balance Sheet

Thoroughbred Racing SA Limited. For the year ended 30 June 2010.

	Note	30 June 2010 \$	30 June 2009 \$
Current assets			
Cash and cash equivalents	7	4,745,639	6,539,823
Trade and other receivables	8	11,773,625	4,639,225
Investments	9	-	8,750,000
Other assets	10	170,646	46,171
Total current assets		16,689,910	19,975,219
Non-current assets			
Plant and equipment	11	1,357,597	1,363,607
Receivables	8	-	-
Investments	9	1,044,151	996,359
Total non-current assets		2,401,748	2,359,966
Total assets		19,091,658	22,335,185
Current liabilities			
Trade and other payables	12	4,052,212	2,259,018
Employee benefits	13	410,362	323,804
Other liabilities	14	765,493	5,915,154
Total current liabilities		5,228,067	8,497,976
Non-current liabilities			
Employee benefits	13	25,842	28,157
Other liabilities	14	1,345,100	1,643,170
Total non-current liabilities		1,370,942	1,671,327
Total liabilities		6,599,009	10,169,303
Net assets		12,492,649	12,165,882
Equity			
Reserves	15	91,906	44,114
Retained profits	16	12,400,744	12,121,768
Total equity		12,492,649	12,165,882

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 32 to 46.

Statement of Changes in Equity

Thoroughbred Racing SA Limited. For the year ended 30 June 2010.

	Reserves	Retained Profits	Total
Balance as at 1 July 2008	157,000	5,357,650	5,514,650
Net Surplus / (Loss)	-	6,764,118	6,764,118
Gains/(losses) transferred to income statement	(25,598)	-	(25,598)
Change in fair value of equity securities available-for-sale	(87,289)	-	(87,289)
Balance as at 30 June 2009	44,113	12,121,768	12,165,881
Net Surplus / (Loss)	-	278,976	278,976
Change in fair value of equity securities available-for-sale	47,792	-	47,792
Balance as at 30 June 2010	91,905	12,400,744	12,492,649

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 32 to 46.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Financial Statements**

Statement of Cash Flows

Thoroughbred Racing SA Limited. For the year ended 30 June 2010.

	Note	30 June 2010 \$	30 June 2009 \$
Cash flows from operating activities			
Cash receipts in the course of operations		42,884,705	46,446,621
Cash payments in the course of operations		(42,850,647)	(38,149,181)
Interest received		573,276	291,048
Dividends received		30,273	31,146
Loan repayments from / (loans to) clubs		286,681	(287,175)
Net Cash from operating activities	19(b)	924,288	8,332,459
Cash flows from investing activities			
Proceeds on disposal of investments		-	125,004
Payments from / (for) investments		3,500,000	(3,624,379)
Payments for plant and equipment		(220,069)	(1,337,163)
Net Cash from investing activities		3,279,931	(4,836,538)
Cash flows from financing activities			
Repayment of RISA Loan		-	(29,446)
Gawler Redevelopment Costs		(5,998,403)	(25,079)
Net Cash from financing activities		(5,998,403)	(54,525)
Net increase/(decrease) in cash held		(1,794,184)	3,441,396
Cash at the beginning of the financial year		6,539,823	3,098,427
Cash at the end of the financial year	19(a)	4,745,639	6,539,823

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 32 to 46.

Notes to the Financial Statements

1. Significant accounting policies

Thoroughbred Racing SA Limited (“the Company”) is a company domiciled in Australia.

The financial report was authorised for issue by the Directors on 22nd September 2010.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (“AASBs”) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001.

Basis of preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis except that financial instruments classified as available for sale are stated at their fair value.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

The accounting policies set out below have been applied consistently to all periods presented in the financial report.

Revenue and other income

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

TAB product fee revenue

Revenue from TAB product fees is recognised as it accrues.

Betting Operations Contribution

Revenue from Betting Operations Contribution is recognised as it accrues.

SABOIS revenue

SABOIS subscriptions are not recognised as revenue until horses are two years old, when one third is recognised as revenue and the balance is recognised when the horses are three year olds.

Sale of goods

Revenue from the sale of goods is recognised when control of the goods passes to the customer.

Goods and services tax

Revenue, 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 taxation authority. In these circumstances, the GST is recognised

as part of the cost of acquisition of the asset or as part of the expense.

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 statement of cash flows 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.

Taxation

Thoroughbred Racing SA Limited is exempt from income tax.

Property, plant and equipment

(i) Owned Assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each part of property, plant and equipment.

The estimated useful lives in the current and comparative period are as follows:-

- Plant and equipment 3 – 10 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

Investments

Other financial instruments are classified as being available for sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses. When

these investments are derecognised the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method, is recognised in the income statement.

The fair value of financial instruments classified as held for trading and available-for-sale, is their quoted bid price at the balance sheet date. Where the fair value of investments is not able to be reliably estimated the investment is held at cost less any impairment losses (refer to note 1(j)).

Financial instruments classified as held for trading or available-for-sale investments are recognised / derecognised on the date the company commits to purchase / sell the investments.

Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an

asset exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

(i) Calculation of recoverable amount

The recoverable amount of receivables carried at amortised cost is calculated as the present value of estimated future cash flows discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a

collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the greater of their 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. 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.

(ii) Reversal of impairment

An impairment loss in a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired
- the consolidated entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; or
- the consolidated entity has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit and loss.

Employee benefits

(i) Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in profit and loss when they are due.

(ii) Long-term service benefits

The net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Company's obligations.

(iii) Wages, salaries, annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30-day terms.

Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

2. Revenue

	30 June 2010	30 June 2009
	\$	\$
TAB Product Fees and Betting Operations Contributions	37,484,740	36,904,739
Screening & International Rights	555,348	554,275
SABOIS subscriptions	355,233	335,367
Registration Fees	215,903	217,328
Publications	251,262	276,324
Other	366,422	702,735
	39,228,907	38,990,768

TAB product fees are recognised net of the SA Government tax commonly referred to as Clawback. The effect of this tax has been to reduce TRSA revenue by \$2,126,969 for the year ended 30 June 2010 (30 June 2009: \$2,142,300).

3. Other Income

	30 June 2010	30 June 2009
	\$	\$
SAJC Contribution to Prizemoney	900,000	1,000,000
Government promotional grants	120,000	633,000
Other revenue	-	39,367
	1,020,000	1,672,367

4. Prizemoney and Industry Payments

	30 June 2010	30 June 2009
	\$	\$
Prizemoney, Unplaced Subsidies and Riding Fees	27,227,928	23,664,112
SABOIS Bonuses	1,744,925	1,257,275
Prizemoney	28,972,853	24,921,387
Training Subsidies and Trial Payments	1,434,000	1,228,942
Race Day Payments & Costs	1,147,152	540,000
Club Promotion and Operational purposes	1,346,732	1,072,806
Club Capital Expenditure	707,066	293,047
Workcover & Insurance - Jockeys	813,267	538,098
Industry Staff Costs	359,739	-
Industry Payments	5,807,956	3,672,893

5. Financing Income and Expenditure

	30 June 2010	30 June 2009
	\$	\$
Financial Income		
Interest income	554,741	468,916
Dividend income	30,273	31,146
Total financial income	585,014	500,062
Financial Expenses		
Net loss on disposal of listed equity securities available for sale	-	(25,598)
Interest expense	-	-
Total financial expenses	-	(25,598)

6. Other expenses

	30 June 2010	30 June 2009
	\$	\$
Advertising & Marketing	254,426	46,743
Marketing Professional Fees	226,240	260,770
Publication Expenses	277,284	269,991
Swab & Veterinary Supplies	256,541	208,109
TAFE Relocation	67,103	584,096
Other	1,724,080	1,451,328
Total other expenses	2,805,673	2,821,037

7. Cash and cash equivalents

	30 June 2010	30 June 2009
	\$	\$
Cash at bank and on hand	93,478	1,538,385
Bank short term deposits	4,652,161	5,001,438
Total cash and cash equivalents	4,745,639	6,539,823

8. Trade and other receivables

	30 June 2010	30 June 2009
	\$	\$
Current		
Trade receivables	3,659,516	2,530,703
Other receivables	1,011,135	742,349
Loans to Thoroughbred Racing Clubs	7,102,974	1,366,173
	11,773,625	4,639,225
Non-Current	-	-

9. Investments

	30 June 2010	30 June 2009
	\$	\$
Current		
Interest Bearing Deposit	-	3,500,000
Interest Bearing Deposit - Gawler Grant	-	5,250,000
	-	8,750,000
Non-current		
Investment in Racing Information Services Australia Pty Ltd ("RISA")	374,229	374,229
Listed equity securities available for sale	669,922	622,130
	1,044,151	996,359

10. Other current assets

	30 June 2010	30 June 2009
	\$	\$
Prepayments	170,646	46,171
	170,646	46,171

11. Plant and equipment

	30 June 2010	30 June 2009
	\$	\$
Current		
Plant and equipment - at cost	3,280,500	3,060,163
Less: accumulated depreciation	(1,922,903)	(1,696,556)
Total plant and equipment	1,357,597	1,363,607

The Company's plant and equipment includes assets purchased for the use of clubs generally and for industry wide purposes.

Reconciliations

Reconciliations of the carrying amounts for each class of plant and equipment are set out below:

	30 June 2010	30 June 2009
	\$	\$
Plant and equipment		
Carrying amount at the beginning of the year	1,363,607	266,758
Additions	220,429	1,337,163
Disposals	-	-
Depreciation	(226,079)	(240,314)
Carrying amount at end of year	1,357,957	1,363,607

12. Trade and other payables

	30 June 2010	30 June 2009
	\$	\$
Trade payables	898,111	342,490
Other payables and accruals	3,154,101	1,916,528
Total	4,052,212	2,259,018

13. Employee benefits

	30 June 2010	30 June 2009
	\$	\$
Current		
Liability for long service leave	209,628	159,413
Liability for annual leave	200,733	164,391
	410,362	323,804
Non-current		
Liability for long service leave	25,842	28,157

Defined contribution superannuation funds

The Company makes contributions to various defined contribution funds. The amount recognised as an expense was \$203,161 for the financial year ended 30 June 2010 (2009: \$135,280).

14. Other liabilities

	30 June 2010	30 June 2009
	\$	\$
Current		
Income received in advance	765,493	690,233
Grant - Gawler Racecourse Redevelopment	-	5,224,921
	765,493	5,915,154

In 2009 the Company received a grant of \$6 million from the Minister for Recreation, Sport and Racing to meet part of the cost of redevelopment of the Gawler Racecourse. The redevelopment is being undertaken by the Gawler and Barossa Jockey Club Inc, the owner of the racecourse property, with assistance from the Company.

The Company recognised the Minister's grant and its obligation to fund the redevelopment by recognition of a liability of \$6 million, which has been reduced by amounts paid to the Club to fund the development. The liability was reduced by payments of \$775,000 during the 2009 financial year and by payments of \$5.225 million during the current year.

Non-current		
Income received in advance	1,345,100	1,643,170
	1,345,100	1,643,170

15. Reserves

	30 June 2010	30 June 2009
	\$	\$
Fair value reserve	91,906	44,114
	91,906	44,114
Movements during the year		
Balance at beginning of year	44,114	157,000
Total recognised income / (expense)	47,792	(112,886)
Balance at end of year	91,906	44,114

Nature and purpose of reserves

Fair value reserve: The fair value reserve includes the cumulative net change in the fair value of available for sale investments until the investment is derecognised.

16. Retained profits

	30 June 2010	30 June 2009
	\$	\$
Retained profits at beginning of year	12,121,768	5,357,650
Net profit/(loss) attributable to the Company	278,976	6,764,118
Retained profits at the end of the year	12,400,744	12,121,768

17. Auditors' remuneration

	30 June 2010	30 June 2009
	\$	\$
Audit Services - William Buck (2009 KPMG)		
Audit of the financial report	13,960	20,500

18. Segment reporting

The Company operates in one segment, being the business of thoroughbred racing administration in the state of South Australia.

19. Notes to the statement of cash flows

a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Note	30 June 2010	30 June 2009
		\$	\$
Cash	7	4,745,639	6,539,823

b) Reconciliation of profit from ordinary activities to net cash provided by operating activities

	30 June 2010	30 June 2009
	\$	\$
Profit / (loss) from ordinary activities	278,976	6,764,118
Add/(less) items classified as investing/financing:		
- (Profit)/loss on sale of investments	-	25,598
Add/(less) non-cash items:		
- Interest income on loans at fair value	-	(166,125)
- Interest expense on loans at fair value	-	-
- Amounts set aside to provisions	84,243	40,827
- Depreciation expense	226,079	240,314
Net cash from operating activities before change in assets and liabilities	589,298	6,904,732
Change in assets and liabilities during the period:		
- Change in trade receivables	(1,128,814)	338,213
- Change in other receivables	(268,786)	(689,368)
- Change in loans to thoroughbred racing clubs	286,681	(287,175)
- Change in prepayments	(124,475)	21,688
- Change in accounts payable	555,621	(50,977)
- Change in income received in advance	(222,811)	1,759,221
- Change in other creditors and accruals	1,237,573	336,125
Net cash from operating activities	924,287	8,332,459

20. Key management personnel compensation

The key management personnel compensation included in employee expenses are as follows:

	30 June 2010	30 June 2009
	\$	\$
Short term employee benefits	551,330	411,972
Post-employment benefits	4,406	30,964
	555,736	442,936

21. Related parties

Directors

The names of each person holding the position of director of Thoroughbred Racing SA Limited during the financial year are Messrs P Bentley, G Boulton (Res.), A Killey, B Morris, P Pedler (Res.), D Rasheed, S Ward (Appt.) and Ms E.F Nelson QC.

Directors Compensation

The directors compensation included in employee expenses are as follows:

	30 June 2010	30 June 2009
	\$	\$
Directors remuneration	197,254	193,800
Post-employment benefits	6,399	6,192
	203,653	199,992

Directors' transactions with the Company

The terms and conditions of the transactions with directors and director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to directors and director related entities were as follows :

Director	Transaction	Note	2010	2009
Mr A Killey	Marketing Services	(i)	171,554	155,958
Mr S Ward	Legal Services	(ii)	42,798	

- (i) The Company used the marketing services of associated entities of Mr A Killey in relation to marketing campaigns and talent retention for the industry.
- (ii) The Company used the legal services of associated entities of Mr S Ward in relation to maintaining integrity for the industry and agreements with industry stakeholders

Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms and include reimbursement of direct expenses incurred.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Notes to the Financial Statements**

Amounts receivable from and payable to directors and director related entities at reporting date arising from the above transactions were as follows:

	2010	2009
	\$	\$
Current Payables		
Trade payables	48,237	9,622

22. Contingent liabilities

a) SABOIS (formerly SABIS)

Qualified yearling horses are nominated for the South Australian Breeders & Owners Incentive Scheme (SABOIS) allowing them the opportunity to win bonuses in specified races during their two and three year old years.

No provision for future bonuses has been made in the statement of financial position as the requirement to pay a bonus does not arise until such time as the horse wins or is placed in a SABOIS race.

An estimate has been made based on past experience of likely future bonuses payable for those horses nominated for the scheme that are yet to reach the age of four. At 30th June 2010 it is estimated that these future bonuses will be \$ 5.1 million.

b) Betting Operations Contribution

Interstate legislation that gives rise to the Betting Operations Contributions in those states is the subject of legal challenges, including a challenge to the Full Bench of the Federal Court of Australia. The outcome of those challenges may affect the Company.

South Australian legislation that gives rise to the Betting Operations Contributions, is the subject of a legal challenge by one Operator in the Federal Court of Australia. The outcome of this challenge may affect the Company.

23. Risk management

a) Risk management framework

Identification, measurement and management of risk is a priority for the Company. The provision of administration and management to the horse racing industry in South Australia carries a number of diverse risks which may have a material impact on the Company's financial position and performance. Consequently, the Board and Management have established a framework covering accountability, oversight, measurement and reporting to maintain high standards of risk management.

The Company allocates specific roles in the management of risk to Management. This is undertaken within an overall framework and strategy established by the Board.

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

b) Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of a customer to meet their obligations to the Company on time and in full, as contracted. It arises principally from the Company's receivables from customers and investment securities. To address this risk, the Company has implemented a credit risk management framework which has been approved by the Board.

Management of credit risk

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Approximately 68 percent (2009: 71 percent) of the Company's revenue is attributable to transactions with a single customer. Geographically there is no concentration of credit risk.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Management. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The policy does not apply to persons licensed under the Betting Operations Contribution Agreement.

Maximum Company credit exposures for financial assets are analysed below:

	Maximum Credit Risk Exposure	Maximum Credit Risk Exposure
	2010	2009
Cash and cash equivalents	93,478	1,538,385
Bank short term deposits	4,652,161	5,001,438
Trade and other receivables	4,409,989	3,273,052
Investment securities	669,922	622,130
Investments in other entities	374,229	374,229
Other Investments	-	8,750,000
Loans to thoroughbred racing clubs	7,102,974	1,366,173
Prepayments and accrued income (excluding non financial assets)	170,646	46,171
Total Exposures	17,473,399	20,971,578

Trade and other receivables arise largely as a result of the racing distribution agreement with the SA TAB.

Trade receivables are analysed as follows:

	2010	2009
Not impaired:		
Neither past due nor impaired	2,530,703	2,530,703
Past due greater than 3 months but not impaired	102,658	102,658
Impaired	-	-

THOROUGHBRED RACING SOUTH AUSTRALIA: **Notes to the Financial Statements**

Impaired trade receivables

At 30 June 2010, the impairment provision is \$nil (2009: \$nil). The amount of debtors written off as unrecoverable during the year was \$nil (2009: \$nil).

Investments

The Company holds equities available for sale that are traded on the stock exchange.

c) Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations when they come due, or will have to do so at excessive cost.

Exposure to and management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Contractual maturities for financial liabilities on a gross cash flow basis are analysed below:

Company	Carrying amount	Up to 1 month	1 to 3 months	3 to 12 months	1 yr to 5yrs
As at 30 June 2010					
Trade payables (excluding non financial liabilities)	89,811	89,811	-	-	-
Other payables and accruals (excl non financial liabilities)	3,508,570	3,508,570	-	-	-
Income received in advance	2,110,593	-	-	765,493	1,345,100
Grant - Gawler Racecourse Redevelopment	-	-	-	-	-
Total	5,708,974	3,598,381	-	765,493	1,345,100

Company	Carrying amount	Up to 1 month	1 to 3 months	3 to 12 months	1 year to 5 yrs
As at 30 June 2009					
Trade payables (excluding non financial liabilities)	342,490	342,490	-	-	-
Other payables and accruals (excl non financial liabilities)	1,916,526	1,916,526	-	-	-
Income received in advance	2,333,403	-	-	690,233	1,643,170
Grant - Gawler Racecourse Redevelopment	5,224,921	-	1,500,000	3,724,921	-
Total	9,817,340	2,259,016	1,500,000	4,415,154	1,643,170

THOROUGHBRED RACING SOUTH AUSTRALIA: **Notes to the Financial Statements**

d) Market risks

Market risk centres on interest rate risk arising from changes in the shape and direction of interest rates (yield curve risk) as well as mismatches in the re-pricing term of assets and liabilities.

At reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

Fixed rate instruments	2010	2009
Financial Assets	4,652,161	13,751,438
	4,652,161	13,751,438
Variable rate instruments	2010	2009
Financial Assets	93,478	1,538,385
	93,478	1,538,385

The Company does not have any exposure to interest rate movements for fixed rate instruments.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, remain constant.

	100bp increase	100bp decrease
30-Jun-10		
Variable rate instruments	935	(935)
30-Jun-09		
Variable rate instruments	15,384	(15,384)

Management of interest rate risk

Interest rate risk is monitored by Management under guidelines and limits defined by the Board.

Equity Price risk

Equity price risk is the risk movement in investment prices in which the Company has invested will affect the Company's profits. An overall reduction of 5% or more in investment prices will have an impact, of which the decline in some securities will be offset by the Fair value reserve.

	2010		2009	
	Carrying Amount	Effect on Profit/Equity	Carrying Amount	Effect on Profit/Equity
		-5% 5%		-5% 5%
Listed equities	669,922	(33,496) 33,496	622,130	(31,107) 31,107

Fair Values - Fair values versus carrying amounts

The fair values of financial assets and liabilities are equal to the carrying amounts recorded in the balance sheet.

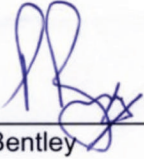
Directors' Declaration

DIRECTORS' DECLARATION

- 1 In the opinion of the directors of Thoroughbred Racing S.A. Limited (the "Company"):
- a. The financial statements and notes, set out on pages 8 to 23, are in accordance with the Corporations Act 2001, including:
 - i. Giving a true and fair view of the financial position of the Company as at 30 June 2010 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - ii. Complying with Accounting Standards in Australia and Corporations Regulations 2001; and
 - b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Adelaide this 22nd day of September 2010.

Signed in accordance with a resolution of the directors:



P Bentley
Director

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THOROUGHBRED RACING SA LIMITED

We have audited the accompanying financial report of Thoroughbred Racing SA Limited, which comprises the balance sheet as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Thoroughbred Racing SA Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

Sydney
Melbourne
Brisbane
Perth
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THOROUGHBRED RACING SOUTH AUSTRALIA: **Independent Auditor's Report**



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THOROUGHBRED RACING SA LIMITED

Auditor's Opinion

In our opinion the financial report of Thoroughbred Racing SA Limited is in accordance with The Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

William Buck

William Buck
Chartered Accountants

P.A. Taylor
P.A. Taylor
Partner

Dated this *23rd* day of September, 2010.
Adelaide

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

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Lone Rock - Winner of the 2011 Distinctive Homes Goodwood

THOROUGHBRED RACING SOUTH AUSTRALIA

ANNUAL REPORT

2011



THOROUGHBRED RACING SOUTH AUSTRALIA



THOROUGHBRED RACING SOUTH AUSTRALIA

ANNUAL REPORT

2011

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Chairman's Report



Frances Nelson QC Chairman

I am pleased to report that the racing year 2010-2011 was another successful year for thoroughbred racing in South Australia. We have been able to build on the progress that was made in the preceding year.

2010 saw us welcome three new directors to the Board of Thoroughbred Racing SA; Ken Smith formerly Deputy Chairman of the South Australian Jockey Club, Brian Foster previously Chairman of the Murray Bridge Racing Club and David Cross who brings considerable marketing and accounting expertise to the Board.

I take this opportunity to thank Brian Morris, whose four year term of office ends this year, for his valuable and significant contribution to the work of the Board. Brian has served as Chair of the Finance Committee since his appointment to Thoroughbred Racing SA Ltd and his contribution has been invaluable.

In October 2010 I was appointed Chair of the Board and Simon Ward was appointed Deputy Chair. It has been a privilege to provide leadership to the industry and to work towards achieving the particular strategic objective of advancing an industry which is important to all its participants and to the community at large.

The Board is conscious that any decision it makes must be made having regard to the overall interest of racing and not to make decisions which selectively might favour any vested interest. That has involved the Board consulting widely with racing clubs and other industry stakeholders. In particular there has been regular and ongoing consultation with our shareholders, the SAJC and SARCC. The Board conducted a joint meeting of the full Boards of TRSA, SAJC and SARCC, and it is intended that another meeting of that nature should occur in the near future. In addition there have been regular meetings between the Chair, Deputy Chair and the CEOs of TRSA, SAJC and SARCC. We have promoted industry information sessions to involve club representatives across the State. We are mindful that racing needs to maintain a profile at a regional level.

There have been significant prize money increases both last year and in the current season. In the financial year just completed, the total prize money made available was \$32,521M i.e. an increase of \$3.5M on the prior year.

In the racing year which has just begun, our budget provides for prize money of \$33.9M which will allow for further prize money increases of \$1.395M.

Race Meetings and Race Programming

The Board has addressed this not only in consultation with the SAJC and SARCC, but also with clubs and industry participants. Whilst maximising betting turnover both in South Australia and interstate on our own races is important, we are also aware of the necessity to encourage race day attendance and we are mindful that we need to maintain participant interest in the industry.

I am pleased to report that we have been able to increase the number of race meetings to 183 per year with a commitment from Sky Channel to cover all of those meetings as scheduled.

Prize Money

Earlier this year we announced a significant increase of prize money for our Black Type races and the SAJC in 2012 will be running the first \$500,000 race in South Australia, the Goodwood on Saturday 12 May 2012. The Board considered this step was necessary to maintain the profile of South Australian racing at a national level.

The Board has, in consultation with the South Australian Jockey Club, identified a three week window in the Australian Racing Calendar which has allowed us to develop a Racing Carnival



Muir (GB) - Winner of the 2011 Adelaide Casino Adelaide Cup, trained by Robert Hickmott

specific to South Australia. The 2012 Carnival will feature four Group One races culminating with Super Saturday on 12 May, which will feature the Goodwood. We believe that this carnival will generate great National interest, excitement and investment with total prize money on offer of \$3.5M over the three days.

The Board has not overlooked the importance of Benchmark Racing and to that end has been able to increase prize money from \$32,000 per race to \$34,000 per race and for races with a Rating of 68+ has been able to increase the level of prize money to \$40,000.

Murray Bridge Development

The development of the new Murray Bridge Racecourse and the Joint Venture in which the Club is involved,

is a most exciting project and will undoubtedly represent a new dimension for South Australian racing. The Board acknowledges the significant contribution by the Murray Bridge Racing Club not only in its vision by acquiring the land on which the development will take place but also the fact that it is anticipated that it will complete this large and significant development without any permanent impost on industry funds with funding provided by its Joint Venture partner. In addition the Murray Bridge Racing Club has agreed to assign to TRSA, representing the South Australian thoroughbred racing industry, some part of its equity in the Joint Venture of the residential development which will create a revenue stream that will ultimately assist in prize money across the State. The Club is to be

congratulated on its generous approach towards assisting racing generally and not merely serving its own parochial interests.

Government Liaison

I take this opportunity to thank the Minister for Racing, the Honourable Tom Kenyon, for the considerable support that he has given to the industry since assuming the portfolio. I have maintained a close working relationship with the Minister for Racing and also the Honourable Gail Gago, the Minister for Gambling. I have had a number of meetings relating to racing generally, and to fixed odds betting and to jumps racing specifically. I am grateful for the way in which I have been received and by the assistance that Government has given the Board. Fixed odds betting via Tattsbet on course remains a contentious issue but we are actively working towards that end and toward achieving consensus between bookmakers and SATAB.

I also acknowledge the ongoing commitment and support from the Shadow Minister for Racing, the Honourable Terry Stephens, and the Leader of the Opposition Isobel Redmond.

Sky Domestic Rights Agreement

I am pleased to say that the long form agreement has finally been negotiated and I am confident that it represents a favourable arrangement for South Australian racing. While we have had agreement with, and payment from Sky since 2008, negotiations with the formal

THOROUGHBRED RACING SOUTH AUSTRALIA: **Chairman's Report**

agreement have taken time to conclude. We maintain a good relationship with Sky Channel and we acknowledge the assistance that they continue to provide to South Australian racing. We are currently working towards enhancing the quality of picture provided which in turn can only be beneficial for the industry and the wagering public.

Australian Racing Board

We are anxious to ensure that the Federal Government enforces the provisions of the Interactive Gambling Act to prevent wagering in circumstances where the industry is deprived of any return and where the country as a whole is deprived of benefit by reason of offshore operators. To that end I have been able to facilitate submissions by the Australian Racing Board being made to the relevant Select Committee which is considering this legislation.

Gawler & Barossa Jockey Club

It was regrettable that the Gawler City Council sought judicial review of the Ministerial decision relating to the rezoning of land owned by the Gawler & Barossa Jockey Club. Fortunately the Supreme Court of South Australia decided in favour of the Gawler & Barossa Jockey Club and we were able to secure an order for costs against the Council.

I am pleased to report that since that time, due to certain changes on the Gawler City Council, there is now a mutually supportive relationship between Gawler & Barossa Jockey Club and the Council which I am sure will be productive for both bodies in the future.

Jumps Racing

It was gratifying that the Greens' Bill to ban jumps racing was overwhelmingly defeated. Thoroughbred Racing SA remains committed to all aspects of the racing industry including jumps racing. The Board will not succumb to pressure from small minority interest groups who have no association with racing.

We note with interest that the Government in Victoria has supported jumps racing and made a large financial contribution towards its continuation. It is obvious that in South Australia both the Government and the Opposition adopt a bipartisan approach of supporting this aspect of our sport. Irish Race Day remains one of the most important race days to the South Australian Jockey Club and the Oakbank Easter Carnival is

internationally recognised as one of the important race meetings of the year. The two days of the Oakbank Carnival are our two highest attendance race days. It will be of interest to the industry to note that three of our jumps races are recognised similar to Black Type level by the International Federation of Horse Racing Authorities namely the Great Eastern Steeplechase, the Von Doussa Steeplechase and the Yalumba Classic Hurdle. If jumps racing had been banned we would have lost that recognition and that in turn would have affected our international standing.

TRSA Management and Staff

On behalf of the Board, I thank our Chief Executive Officer Jim Watters and our Chief Operating Officer Nick Redin for their commitment and diligence throughout the year.



Shadows in the Sun - Winner of the 2011 Betfair South Australian Derby, trained by Anthony Cummings

THOROUGHBRED RACING SOUTH AUSTRALIA: **Chairman's Report**

I am mindful of their professional and hardworking approach to all aspects of the industry. The Board also congratulates them for their ability to deal with club representatives and industry representatives in a sensitive and balanced way.

The Board could not function effectively without the dedication of Management and staff of Thoroughbred Racing SA. We are conscious of the contribution that they make not only to the work of the Board but to the industry generally. Our stewards, under the Chairmanship of Graham Loch, continue to carry out a difficult and responsible task in a fair and equitable manner having regard to the responsibility they have to preserve the integrity of our industry.

All of the Directors of Thoroughbred Racing SA have individually and collectively contributed to the progress of the industry and the work of the Board. I appreciate that they have, without exception, done more than was necessarily required of them in the role that they have undertaken.

In particular I acknowledge and thank the contributions of all the volunteers in the racing industry without whom the industry simply could not function.

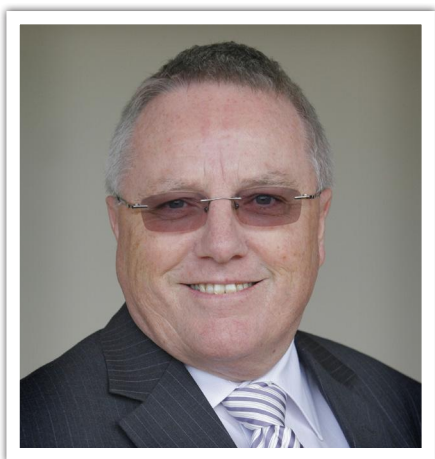


Frances Nelson QC
Chairman



Connections of Muir (GB) – Jockey Darren Gauci and Owner Nick Williams

Chief Executive Officer's Report



Jim Watters Chief Executive Officer

CEO's Report

The 2011 financial year has been another positive year for thoroughbred racing in South Australia. The year was highlighted by:

- total revenue increases of 8.57%
- revenue increases of 6.1% from wagering on SA thoroughbreds both locally and nationally
- further increases in prize money of 12.24%
- further increases in industry payments of 7.97%
- settlement of the Sportsbet challenge to the Authorised Betting Operations Act, thereby protecting a key source of revenue to the industry
- negotiation of the sale of the surplus land of the Gawler & Barossa Jockey Club at a price that exceeded expectations
- a 20% increase in starters in SA by

horses trained in the State, and

- a 21% reduction in races with no third dividend at Saturday meetings.

Key Financial Results

While it may appear to be a 'contradiction of terms' to state that the year under review was a 'good result', when a loss has been recorded for the year, that statement is more obvious and logical when considering the year's Budget when making the statement. TRSA posted a loss of \$766,706 for the year ended 30 June 2011, which compares very favourably with the 2010/11 Budget as noted in the 2010 Annual Report which had been for a loss of \$1.895M. It is however important and relevant to reiterate comments in the 2009 and 2010 Annual Reports in clarifying the position in adopting a negative Budget.

In the 2008/09 year, TRSA recorded a substantial surplus of \$6.764M and the Board resolved at that time to retain a major portion of the additional revenue achieved to adopt a more structured approach in the implementation of prizemoney increases. A large portion of the cash reserves created in 2008/09 were utilised to bring forward the proposed 2012/13 prizemoney increases, to February 2010, the intention being that the substantial cash reserves achieved in 2009 would be wound back to the required level determined by the Board over the following years. Hence, the Board being prepared to adopt negative Budgets on the back of the

2009 surplus, to increase prize money and industry payments.

TRSA's total revenue of \$44.335M was up \$3.502M (+8.57%). Our two major expenditure items; Prizemoney and Industry Payments, at \$38.792 in total, increased by a combined \$4.011M (+11.53%). Prizemoney was up \$3.5M (+12.24%) and it should be noted that prizemoney has now increased by \$7.552M over the past two years.

Industry Payments at \$6.270M, rose by \$462,896 (+7.97%) as the Board continued with the Club funding model established in 2009, which sees TRSA responsible for the bulk of the Club raceday operational costs, including vision, ambulance and a number of raceday staff.

After a major increase (+34.41%) in 2009/10 in direct payments to Clubs which are included in Industry Payments, there was only a small increase in 2010/11, increasing to \$3.534M from the previous year's \$3.487M.

Although it has fallen slightly as a percentage of our total Revenue, from 71.3% to 67.2%, the SA TAB through the TAB Product Fees paid, remains by far the most important source of revenue for the South Australian racing industry. While it may have reduced as a percentage of total revenue, the TAB Product Fee itself increased by \$690,509 (+2.4%). The thoroughbred Code achieved Market Share in terms of the apportionment of the TAB Product Fee, of 70.692%. This was



Lights of Heaven - Winner of the 2011 Schweppes Oaks, trained by Peter Moody

up on the previous year's 69.586% and the highest Market Share for several years. I reiterate once again that South Australian racing supporters and participants should recognise the importance of wagering through the SA TAB compared to any other wagering operator. The return per \$1 to the South Australian racing industry is over five times more from the SA TAB than if placed with a corporate bookmaker or another State's TAB. Revenue from the Wagering Tax relief increases annually, with the percentage amount of the Wagering Tax payable by SA TAB to the government rebated back to the

racing industry at an increasing ratio until 2012/13, by which time the full amount will be paid to the industry. The amount received from the SAJC by way of Contribution to Industry Prizemoney, has doubled to \$1.8M in line with the agreement in place with the SAJC for this contribution to the industry.

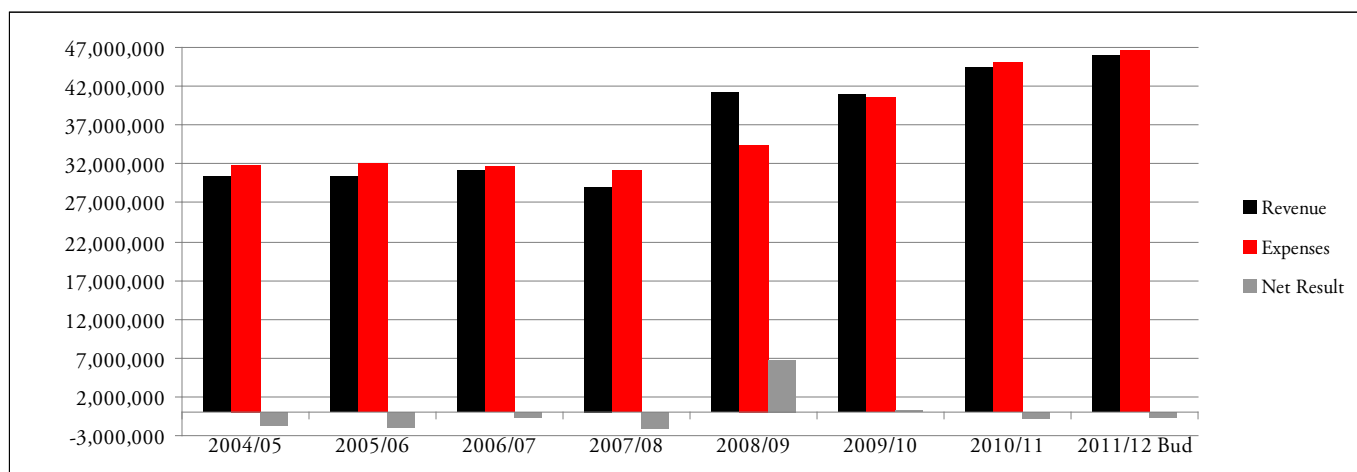
The TRSA Board has maintained a strong focus on maximising returns to participants, evidenced by the fact that prizemoney accounts for 72.10% of all of our Expenses, up from 71.4% in the previous year. As a ratio of TRSA's

total Revenue, 74% of our Revenue is distributed as prizemoney.

There is often debate as to the level of expenditure TRSA should commit to Marketing. In the 2010/11 year Marketing (including marketing funding provided directly to Clubs) totalled \$2.248M or 5% of total TRSA Expenditure. Excluding the Marketing funding provided directly to Clubs, of \$1.05M, TRSA's marketing expenditure is only 2.66% of its Expenses. As we are in a highly competitive event and entertainment industry this is arguably a minimum expenditure in this area.

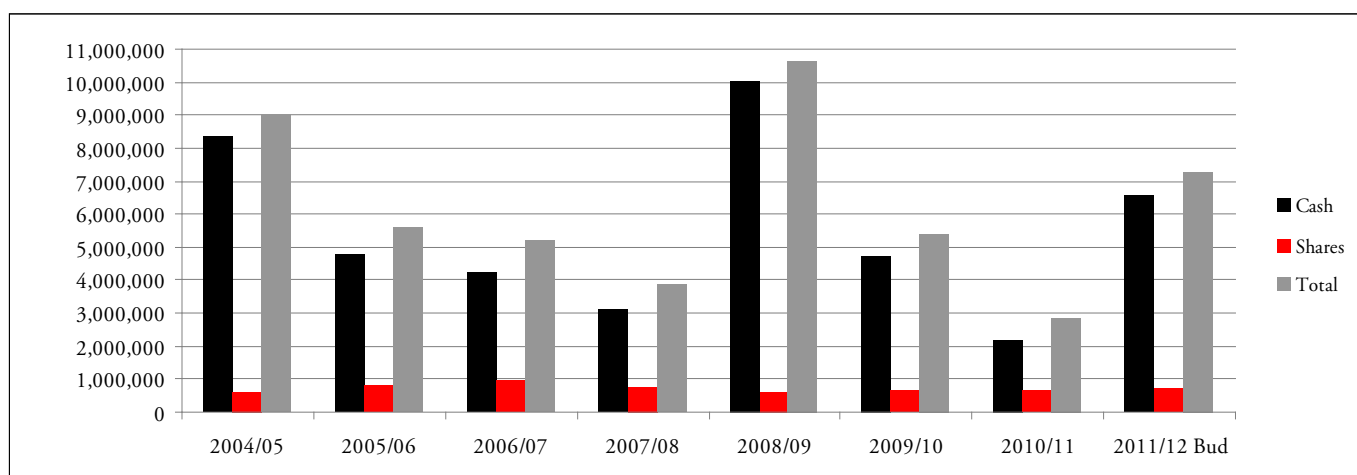
Overall Company Profitability and Reserves

The chart below shows the Company's operating results for the last seven financial years.



	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12 Bud
Revenue	30,277,528	30,230,870	31,187,859	29,116,726	41,163,197	40,833,921	44,335,300	45,944,140
Expenses	31,892,872	32,047,203	31,738,141	31,255,121	34,399,079	40,554,945	45,102,006	46,501,823
Net Result	(1,655,344)	(1,816,333)	(550,282)	(2,138,395)	6,764,118	278,976	(766,706)	(557,683)

The chart below shows the Company's cash reserves and value of share holdings as at 30th June 2011.



	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12 Bud
Cash	30,277,528	30,230,870	31,187,859	29,116,726	41,163,197	40,833,921	2,182,115	6,558,107
Shares	31,892,872	32,047,203	31,738,141	31,255,121	34,399,079	40,554,945	648,970	700,000
Total	(1,655,344)	(1,816,333)	(550,282)	(2,138,395)	6,764,118	278,976	2,831,085	7,258,107

THOROUGHBRED RACING SOUTH AUSTRALIA: Chief Executive Officer's Report

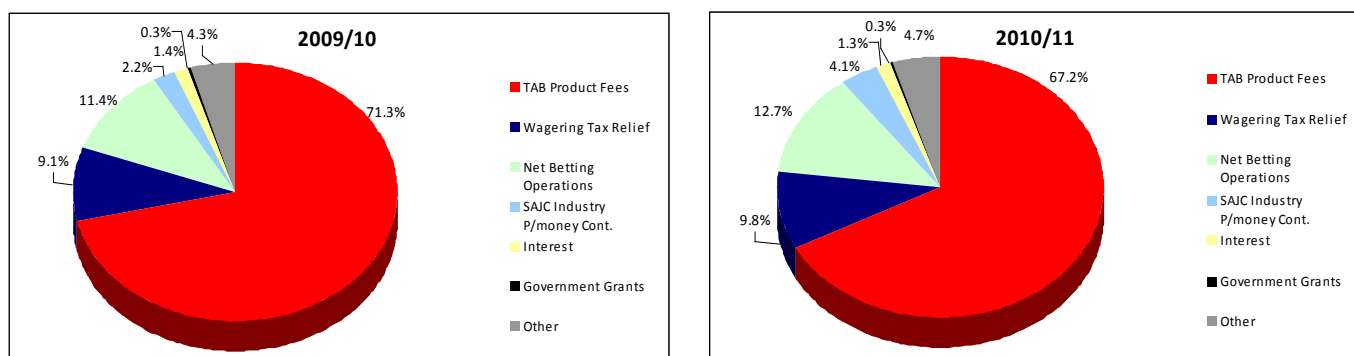
The data for 2007/08 and 2008/09 does not include State Government Grant Funds received for the Gawler redevelopment, the balance of which at reporting date was \$6M and \$5.25M for the two years respectively, this amount was nil at 30th June 2010 and 2011.

The change in cash in 2009/10 is due to the increase in monies loaned to clubs that are not treated as 'cash' for the above purposes.

The improvement in the position in 2011/12 is due to the majority of these loans being repaid in full during the 2011/12 financial year.

Revenue

The charts below show the proportion of revenue for each class of revenue for the last two financial years.



	2009/10		2010/11		Change	
TAB Product Fees	29,116,335	71.3%	29,806,844	67.2%	690,509	2.4%
Wagering Tax Relief	3,730,086	9.1%	4,336,805	9.8%	606,719	16.3%
Net Betting Operations	4,638,319	11.4%	5,614,261	12.7%	975,942	21.0%
SAJC Industry P/money Cont.	900,000	2.2%	1,800,000	4.1%	900,000	100.0%
Interest	554,741	1.4%	564,057	1.3%	9,316	1.7%
Government Grants	120,000	0.3%	120,000	0.3%	-	0.0%
Other	1,774,440	4.3%	2,093,333	4.7%	318,893	18.0%
TOTAL	40,833,921	100.0%	44,335,300	100.0%	3,501,379	8.6%

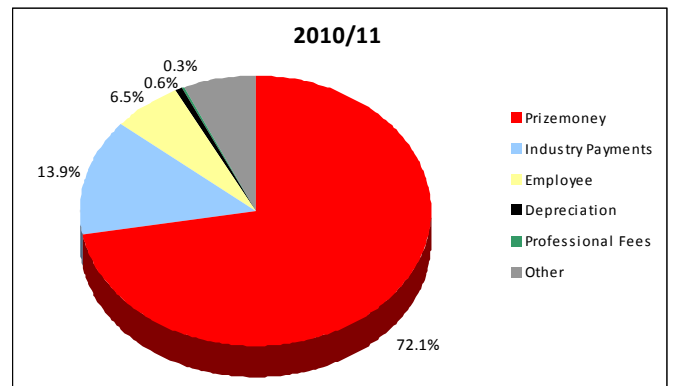
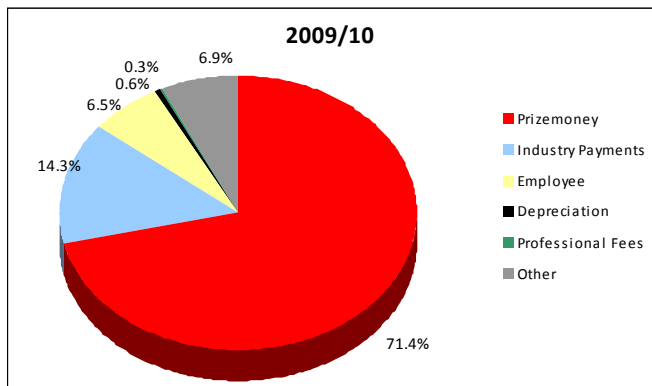
2010-11 Net Betting Operation Contributions (BOC) is after deductions of \$6.2M (2009/10 \$8.6M) relating to charges incurred by the SA TAB from other states racefields legislation, the equivalent of SA's Betting Operation Contributions, which under the Racing Distribution Agreement, they are entitled to recover from the codes. The 2009-10 deduction of \$8.6M includes charges of \$1.865M incurred as a result of changes to the Victorian legislation that allowed RVL to backdate the start date to 4th September 2008, rather than the previous start date, 1st March 2009.

Other Revenue includes Screening and International Rights, SABOIS registration fees, industry participants registration fees, calendar advertising and subscriptions together with other sundry revenue items.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Chief Executive Officer's Report**

Expenses

The charts below show the proportion of expenses for each department for the last two financial years.



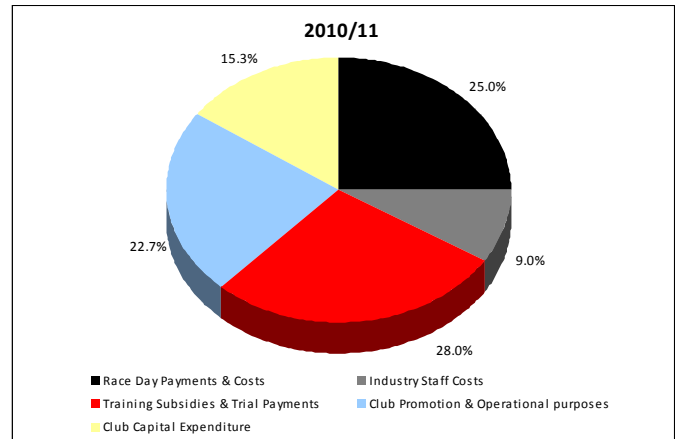
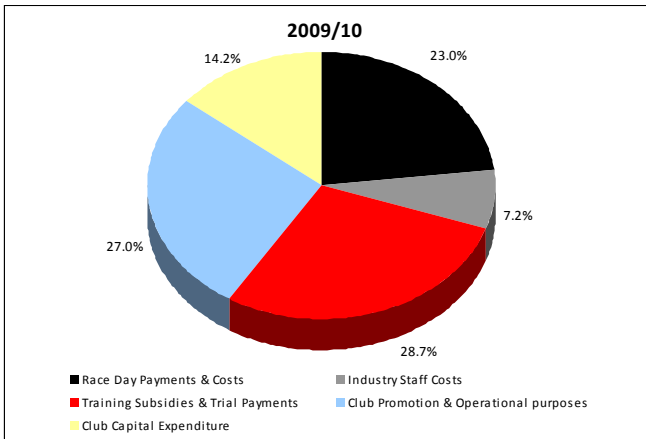
	2009/10		2010/11		Change	
Prizemoney	28,972,853	71.4%	32,521,366	72.1%	3,548,513	12.2%
Industry Payments	5,807,956	14.3%	6,270,852	13.9%	462,896	8.0%
Employee	2,626,338	6.5%	2,929,298	6.5%	302,960	11.5%
Depreciation	226,079	0.6%	258,887	0.6%	32,808	14.5%
Professional Fees	116,046	0.3%	152,263	0.3%	36,217	31.2%
Other	2,805,673	6.9%	2,969,340	6.6%	163,667	5.8%
TOTAL	40,554,945	100.0%	45,102,006	100.0%	4,547,061	11.2%

Industry Payments include Training Grants and Raceday Usage payments \$1.5M, Marketing Grants \$1.21M, Jockeys Workcover and Insurance \$0.92M, Raceday Payments and Costs \$1.34M, Club Capital Grants \$0.82M

THOROUGHBRED RACING SOUTH AUSTRALIA: **Chief Executive Officer's Report**

Industry Payments

The charts below show the proportion of expenses for each expense item for the last two financial years.



	2009/10		2010/11		Change	
Race Day Payments & Costs	1,147,152	23.0%	1,337,947	25.0%	190,795	16.6%
Industry Staff Costs	359,739	7.2%	478,987	9.0%	119,248	33.1%
Training Subsidies & Trial Payments	1,434,000	28.7%	1,500,000	28.0%	66,000	4.6%
Club Promotion & Operational purposes	1,346,732	27.0%	1,215,483	22.7%	(131,249)	-9.7%
Club Capital Expenditure	707,066	14.2%	818,634	15.3%	111,568	15.8%
TOTAL	4,994,690		5,351,051		356,362	7.1%

Industry Staff Costs are up largely due to additional meetings (+9) being conducted.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Chief Executive Officer's Report**

Club Capital Grants

Club	Project	\$Amount
Balaklava	Camera Platform Mounting Yard	3,550.00
Balaklava	Female Jockey Room Extension Over Accrued 2009/10	-514.38
Balaklava	Track Maintenance	20,000.00
Balaklava	Cabling Camera Platform Mounting Yard	1,347.41
Bordertown	Upgrade Irrigation System	19,920.00
Ceduna	Ride-On Mower	3,818.19
Ceduna	Upgrade to Judges Tower	9,340.00
Clare	Improvements to Entrance Sites & Fencing	4,498.00
Clare	Extend Tote Building	2,738.00
Clare	Replace Vandalised Cabling	2,729.82
Jamestown	Upgrade of Horse Stalls	10,000.00
Kangaroo Island	New Overnight Stables & Day Yards	10,000.00
Kangaroo Island	Irrigation Upgrade & Outside Running Rail	9,931.02
Kangaroo Island	Modifications to Judges Tower & Track Work for TAB Meeting	8,389.94
Kangaroo Island	Permanent Installation Audio Visual Cable	2,952.76
Limestone Coast	Shed for Starting Stalls	38,845.00
Pt Augusta	Members Bar Upgrade	14,780.00
Mindarie-Halidon	Safety Enclosure Fencing for Horse Stable Area	1,000.53
Mt Gambier	Air Conditioning for Upstairs Complex	45,000.00
Mt Gambier	K Line Project	2,500.00
Mt Gambier	Upgrade of Stables	11,000.00
Mt Gambier	Upgrade to Switchboard	27,000.00
Murray Bridge	Iseki Commercial Mower with Catcher	29,750.00
Naracoorte	Bookmakers Area Extension	10,670.00
Naracoorte	Irrigation Upgrade	6,421.00
Naracoorte	Winning Post Upgrade	4,943.00
Oakbank	Installation of Data Cable to Judges Tower	600.00
Oakbank	Balance of New Corporate Boxes	14,804.47
Oakbank	Permanent Cabling	5,000.00
Oakbank	Installation of CCTV & Upgrade to Security System	21,000.00
Oakbank	Ladies Jockey Room Upgrade	29,999.69
Penola	Staircase on Judges Tower	10,010.00
Penola	Toro Mower	36,220.00
Penola	5000L Team Poly Tank & Fittings	3,996.09
Pt Lincoln	Starting Gates - Repairs & Transport ex MBRC	8,548.25
Pt Lincoln	Chain Fencing	4,476.00
Pt Lincoln	Irrigation Upgrade	18,000.00
Pt Lincoln	Repairs to Horse Stalls	3,636.36
Quorn	Various Fencing Upgrade & Running Rail	11,000.00
Roxby Downs	Replacement Running Rail	15,750.00
SAJC	Raceday Horse Stalls	250,000.00
Strathalbyn	Sand Track Upgrade	70,000.00
Strathalbyn	Irrigation Upgrade	14,983.00
Total		818,634.15



Shrapnel - Winner of the 2011 Yallambee Classic, trained by Mark Kavanagh

Legal Challenge

In October last year TRSA, Racing SA and the other two Codes, negotiated a settlement which saw on line bookmaker Sportsbet discontinue its legal challenge against sections of South Australia's Authorised Betting Operations Act. As reported in the 2010 Annual Report, Sportsbet had challenged the validity of aspects of the Authorised Betting Operations Act, in essence the constitutionality of the legislation. The sections subject to the proceedings were sections 62E-62G which require interstate wagering operators to pay a fee, known as a Betting Operations Contribution, for taking bets on South Australian races.

Management was able to negotiate directly with Sportsbet's principals and the settlement reached runs through until 30 June 2012, but is effectively a four year agreement as it also covered the full period since the implementation of the legislation in 2008. The settlement avoided expensive litigation and provided certainty to all parties until the end of June 2012.

Racecourse Development

While the redevelopment of the Gawler Racecourse was completed in the 2009/10 season with the redeveloped facility opened by the Premier Mike Rann in July 2010, there has been considerable activity in concluding the

development and sale of the surplus land available to the Club, the sale of which provided over half of the funding required for the \$13.8M redevelopment. The State Government approved the rezoning of the land in early 2010; however the Gawler City Council belatedly lodged proceedings against the Minister for Urban Development and Planning which saw the Gawler & Barossa Jockey Club ultimately incur significant legal costs as well as expensive holding costs in terms of interest, while awaiting the outcome. A favourable outcome was achieved with the rezoning confirmed, and in November a purchaser was obtained after a robust tender process. On behalf of the Gawler & Barossa Jockey Club, TRSA managed the lengthy litigation, sales process and sub divisional requirements, ultimately achieving a very successful outcome. This should secure the Club's financial security into the future.

As noted in the 2010 Annual Report the most exciting racecourse and ancillary development in South Australia in over 100 years, and arguably one of the most exciting in Australia, is the construction of a new racecourse and associated facilities at Murray Bridge. Not only does this development involve the construction of a complete new modern racecourse and facilities, it is part of a larger residential and commercial development which will see some 3,500 homes and new village centre developed on 800ha at Murray Bridge. The development of the racetracks themselves is well advanced

and it is still envisaged that racing will commence at the new Murray Bridge venue in December next year (2012). Further details as to the development, in particular the facilities, will be highlighted by the Murray Bridge Racing Club in the months ahead, however the Murray Bridge Racing Club has already been actively promoting the facilities and land which will be available at the new course, to trainers and prospective purchasers.

Race Programming and Classification Review

The changes to South Australian race classifications and race programming in the 2009/10 season have provided significant benefits as had been anticipated. Starter numbers are of course a key driver to revenue and there has been good growth in South Australia's raceday starter numbers. We have seen a 21% reduction in the number of 'non third dividend' races at our Saturday race meetings, which are our key wagering days. Total race day starts by South Australian trained horses/training venues was up 17.74% for the 2010 calendar year, compared to the previous year. If the starts by South Australian horses in Victoria are excluded, the increase for starts solely in South Australia is in fact up 20%.

With what has been termed 'de-tuning' some Saturday meetings, where we have endeavoured to match race programming and classification with the 'rating' of the available horse population, there had been some concern as to what

the impact may have been on turnover. However pleasingly, there has been no adverse impact on local off-course turnover, and SA TAB turnover on South Australian racing was up on the previous year.

Adelaide Cup Date

TRSA undertook an assessment and analysis of the various options as to the most appropriate and effective placement of the Adelaide Cup and the associated public holiday. The view of the wider South Australian thoroughbred racing industry was that the move of the Adelaide Cup from May to March had not delivered the anticipated benefits for the racing industry. TRSA subsequently tabled a submission with the State Government

seeking to have the Adelaide Cup public holiday moved back to May for 2012 onwards, and highlighted the various reasons in support of such. Unfortunately and disappointingly the Government declined the industry's request. The 2012 Adelaide Cup will be run in March, alongside the Adelaide Cup public holiday. We will however be continuing to seek Government support to have the public holiday moved for 2013. The TRSA Board's view is that every effort should be made to have the Adelaide Cup public holiday linked to the Adelaide Cup for the obvious benefits that it provides. There is a concern that if we separate the two there will be little chance that the Adelaide Cup and the Adelaide Cup public holiday would become linked once again in the future.



Oakbank Easter Racing Carnival 2011

Resources Provided To Clubs

TRSA continues to provide additional resources to Clubs in areas where Clubs, not unexpectedly with the size of their administration, would not have the appropriate staff, etc in-house. Specifically this is in the area of Occupational Health & Safety, Liquor Licensing and Marketing.

Through the appointment of an Industry Operations Manager we have been able to assist many Clubs in improving their compliance with respect their Liquor Licensing, which in many instances is becoming quite onerous for Clubs. However the area where Clubs potentially face their greatest challenge is with regards the implementation of the new Work Health and Safety Bill. TRSA has been working closely with SafeWork SA, the regulator in this policy, to in turn provide appropriate assistance to Clubs.

The industry brand 'There's nothing like a day at The Races', continues to grow and is becoming well recognised. Based on data provided by highly reputable research company Roy Morgan, attendance by the South Australian population at a South Australian thoroughbred race meeting, has increased from 2.8% in 2008 to 4.2% by December 2010 - an increase of 33%. On a national basis, racing attendance slipped from 4.3% down to 4% for the same period. TRSA's Marketing Department continues to provide considerable assistance to Clubs by way of both Marketing expertise and the production of advertising and marketing collateral.

South Australian Thoroughbred Racing Industry Awards

I again take this opportunity to congratulate all of the winners of the 2010/11 season's South Australian Thoroughbred Racing Industry Awards. The depth, quality and enthusiasm of South Australia's racing participants was reflected in the awards and the achievements which we recognised.

Marketing

During the year, TRSA's Marketing Manager, Anna Falkiner, departed to focus on her own marketing company.

Anna had been instrumental in the successful implementation of TRSA's re-branding over the past three years. It is pleasing to note one of Anna's first projects with her own company was for the Australian Racing Board and a potential national marketing approach.

Jane Wellington has been appointed as TRSA's Industry Marketing Manager and comes to the position with a wealth of experience, and numerous media contacts, after 22 years with *The Advertiser*, most recently in management as Business Development, Marketing and Sales.

During the 2010/11 year we undertook the production of a new television commercial which will be rolled-out in 2011/12. The TVC captures the glamour and excitement of our sport across the State, and is the second phase of our re-branding exercise which commenced in 2009 - 'There's nothing like a day at The Races'.

Conclusion

Racing participants in South Australia have cause to continue to be optimistic as to the future of thoroughbred racing in the State. We have seen growth over the past 2-3 years and TRSA has endeavoured to implement policies which are sustainable and will achieve continued growth and improvement within the South Australian racing industry.

As always, the challenge for the TRSA Board and Management is to maintain and increase the momentum achieved to date. The Board's focus continues to be to achieve a financially sound racing industry for participants and Clubs, which in turn encourages participation in our industry.

In conclusion, I congratulate and thank all of the staff at TRSA for their efforts and contribution towards the ongoing success and growth of the thoroughbred racing industry in South Australia, with the successful implementation of the Board's policies. They are a dedicated team striving to grow and enhance thoroughbred racing in SA.

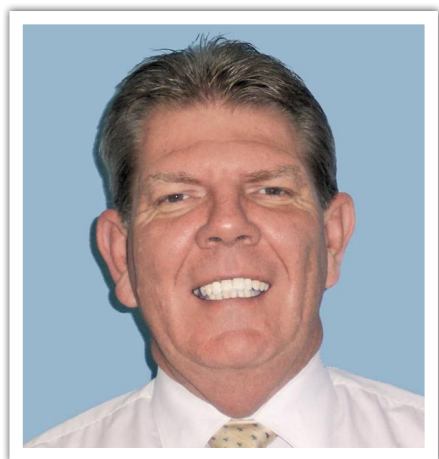


Jim Watters
Chief Executive Officer

South Australian Thoroughbred Racing Industry Awards

Award	Winner
E.J. Mooney Medal for 2010/11 South Australian Jumps Jockey of the Year	Steven Pateman
2010/11 South Australian Jumps Trainer of the Year	Eric Musgrove
TattsBet 2010/11 South Australian Country Apprentice of the Year	Jordan Frew
2010/11 South Australian Metropolitan Apprentice of the Year	Billy Egan
The Promo Place 2010/11 South Australian Most Consistent Racehorse	Budriguez
The 2011 Minister for Racing Award for Most Outstanding Achievement by a Volunteer	Geoff Sweeney
TattsBet 2010/11 South Australian Country Jockey of the Year	Justin Potter
Hyland Sportswear 2010/11 South Australian Jockey of the Year	Paul Gatt
2010/11 South Australian Country Trainer of the Year	David Jolly
2010/11 South Australian Metropolitan Trainer of the Year	Mark Kavanagh
Leon Macdonald Award for 2010/11 South Australian Apprentice of the Year	Jordan Frew
CS Hayes Award for 2010/11 South Australian Trainer of the Year	David Jolly
Glennon–Johnson Award for 2010/11 South Australian Metropolitan Jockey of the Year	Paul Gatt
Sky Racing 2011 Most Outstanding Achievement Award by an Individual	Sharon Forrester-Jones
Sky Racing 2011 Most Outstanding Achievement Award by a Club	Murray Bridge Racing Club
Festival Hire 2010/11 South Australian Champion Racehorse of the Year	Budriguez
2010/11 John Letts Medal	Clare Lindop

Chairman Of Stewards' Report



Graham Loch Chairman of Stewards

The Stewards' Department continues to provide a diverse range of services to the Industry, with the emphasis on maintaining integrity as well as focusing on safety and welfare aspects.

Stewards' Department – Functions

The activities of the Stipendiary Stewards' Department include:

- ensuring the safe conduct and integrity of racing
- ensuring the welfare of the racehorse
- officiating at all race meetings and official trials in South Australia
- attending trackwork sessions
- conducting track and stable inspections
- management of sampling strategies (horses) including out of competition testing and race morning functions
- management of sampling strategies applying to riders and stable employees for banned substances
- conducting inquiries into race rides,

various breaches of the Rules and conduct of licensed persons

- investigating wagering activities, and
- investigating the use of illegal substances.

In addition to these basic functions, the Department carries responsibility for the additional services:

- Veterinary
- Licensing
- Deputy Registrar
- Jumps Review Panel
- Apprentice Academy

During the course of the year, the Stewards' Department imposed suspensions on 50 riders for riding offences. This figure remains similar to the number of offences in previous years.

In addition, the Stewards conducted 37 significant investigations into breaches of the Rules.

Sampling – Horses

During the 2010/11 season, extensive testing continued to be a key component of the Department's integrity undertaken at most race meetings in the State.

Post-race urine samples, pre and post-race samples for the purpose of TCO2 testing, continued to be complemented by a stable inspection programme, race morning stable visits (including sampling), surveillance of stable properties and transport.

The following samples were tested

during the year:

	2010/11	2009/10
Post-race urine samples	1029	1074
Pre-race blood samples TCO2	1022	1079
Post-trial urine samples	12	17
Non-race day samples	37	161
No. of positive tests	3	2

The protocol introduced in August 2008 whereby trainers are provided with written notice when runners report an elevated reading has continued. As previously indicated, trainers whose runners continue to report elevated readings will receive additional attention, which might also include the detention of runners for extended periods post-race.

	2010/11	2009/10
Samples taken	1022	1074
Positive	1	-
Elevated samples	20	14
Notices issued	17	13

The Authority is presently investigating additional initiatives to strengthen the sampling strategy with regard to next year's feature race programme.

Sampling – Riders

The Authority continued to test riders at race meetings, official trials, jump outs and trackwork. This strategy

THOROUGHBRED RACING SOUTH AUSTRALIA: **Chairman Of Stewards' Report**

remains visible. Four riders have failed tests this year. Sampling involves breath testing, saliva samples and urine samples.

	2010/11	2009/10
Jockey samples – Urine	58	76
Trackwork rider samples – Urine	49	34
Saliva samples	0	37
Breath testing	391	282
Positive tests	4	8

Veterinary

Dr Peter Horridge is the Industry Veterinary Surgeon appointed by Thoroughbred Racing SA.

In this role Dr Horridge:

- provides and supervises veterinary services at metropolitan and provincial racetracks and supervises veterinary services provided by local practitioners at South Australian country tracks
- monitors the sample collection process at metropolitan and provincial tracks
- provides advice to the CEO, Board and Industry on veterinary and equine health and welfare issues and on matters relating to prohibited substances and their detection
- represents Thoroughbred Racing SA on NEIWAG, the national advisory group providing advice on veterinary, equine welfare,

emergency animal diseases and drug control policy matters to the Australian Racing Board

- provides expert evidence to the Stewards, during inquiries and before the Appeals Tribunal, and
- provides advice to the Jumps Review Panel.

In addition Dr Horridge provides an important link with PIRSA, the RSPCA and Horse SA on matters involving or affecting the thoroughbred racing industry.

Licensing

The Department is responsible for the investigation, approval and the issuing of all Industry licences, as well as the management of the annual renewal process and associated records.

Licensing decisions are made by a Sub-Committee, having regard to Official Licensing Policy and an applicant's credentials.

These decisions are reviewed and approved by the Board on a monthly basis.



Budriguez - 2010/11 South Australian Horse of the year, trained by David Jolly

THOROUGHBRED RACING SOUTH AUSTRALIA: **Chairman Of Stewards' Report**

During 2010/11 Racing Season, the following licences were processed by the Department:

	2010/11	2009/10
Trainers	336	335
Jockeys	38	41
Apprentices	13	16
Interstate Jockeys	86	75
Interstate Apprentices	27	21
Stablehands	420	487
Stablehand / Trackwork Riders	178	233

Deputy Registrar

Under the Rules of Racing, Racing Information Services Australia (RISA) has the status of Registrar of Racehorses. Thoroughbred Racing SA is a shareholder of RISA which processes all new horse registrations.

Separately, Thoroughbred Racing SA acts as Deputy Registrar for South Australian registration functions, which include Transfers of Ownership, Leases, Syndications and the approval of Promoters.

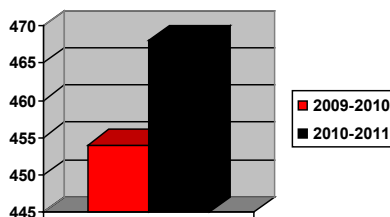
Within the Department, Johan Petzer and Liz Tosetti fulfil the role of Deputy Registrar.

During the year the Department processed a large volume of Transfers and Leases, which are also scrutinised to ensure they are bona fide and completed appropriately.

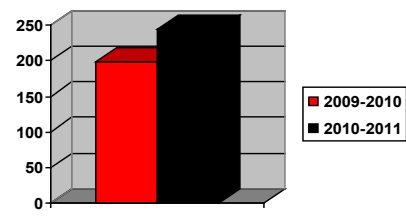


Response - Winner of the 2011 Sportingbet Classic, trained by Matthew Ellerton

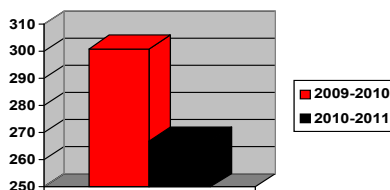
Transfers processed by Thoroughbred Racing SA



Syndicates registered with Thoroughbred Racing SA



Leases processed by Thoroughbred Racing SA





Petushki (NZ) - Winner of the 2011 Great Eastern Steeple, Oakbank Easter Racing Carnival

Jumping Review Panel

During the year, the Panel lost the experience of John Cornell, who has relocated interstate. The Panel, consisting of Senior Steward, Philip Anderson, as Chairman, Richard Best and Dr Peter Horridge, continued to scrutinise and review all aspects of jumping events.

At least one Panel member attended all race meetings, official trials and jumping schools. The Panel also reviewed the Stewards' vision of all jumping races and official trials, fully investigating instances of horses not completing the course as well as race incidents which resulted in a fatality. Appropriate recommendations and advice was provided to the Stewards in these instances.

Early in the jumping season, the Panel played an important role in assisting several visiting Irish jockeys to be accredited and licensed.

Later in the season, the RVL Steward responsible for jumping events, Rob Montgomerie, attended a race meeting at Morphettville to generally observe our jumping events as a measure to foster ongoing co-operation between the Authorities. Rob was particularly impressed with the steeple model developed by Thoroughbred Racing SA with the assistance of the South Australian Jockey Club during the year.

Apprentice Academy

Thoroughbred Racing SA again supported the annual National

Apprentice Jockey Challenge with a heat conducted by the South Australian Jockey Club at Morphettville, which was the final leg of this year's Challenge.

Apprentices Scott Westover, Jordan Frew, Lauren Stojakovic, Melissa Walters, Claudia Lions, Amy Herrmann and Libby Hopwood represented South Australia in various heats conducted in all States.

History shows the final leg was won by local apprentice Libby Hopwood on Rowdy Rocker, trained by Ken Sweeney, and in doing so, gave South Australia its second win in the series. As points are accumulated from seven races in all States, this result is a triumph for the apprentices as well as the Training Supervisor, Bill Forrestal, and Riding Master John Murray and their mentors.

The partnership with TafeSA Morphettville Horse Skills Centre, our training provider delivering the Certificate IV in Racing, and the training facility at Morphettville continues to benefit the Industry.

Through association with Marcellin College at Christie Downs, a number of apprentices have achieved their SACE qualification enabling them to undertake higher studies in the future.

In his role, the Training Supervisor liaises with Industry bodies including Race Training SA, TafeSA, Racing Enterprise Advisory Board and the PRA National Training Committee as well as providing a conduit for schools and interested groups seeking information regarding career opportunities.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Chairman Of Stewards' Report**

Management of the Apprentice Trust Fund is also undertaken within the Department by my Personal Assistant, Liz Tosetti.

Liaisons and Contacts

Industry matters continued to be addressed through liaison by the Department with a number of bodies, including:

- Office of the Minister for Racing
- Independent Gambling Authority
- Australian Racing Board through National Chairmen of Stewards Advisory Group

- Registrar of Racehorses
- RISA
- SA Jockeys' Association
- Australian Jockeys' Association
- SA Trainers' Association
- Interstate and Overseas Principal Racing Authorities
- ARB Medical Officer
- National Equine Integrity and Welfare Advisory Group
- PIRSA
- South Australian Jockey Club (SAJC)
- South Australian Racing Club Council (SARCC)

- SA Bookmaker's League
- AEVA
- RSPCA
- SA Jumping Association



G. M. Loch
Chairman of Stewards



Bagman - Winner of the 2011 Provincial Super Series, trained by Mark Kavanagh



THOROUGHBRED RACING SOUTH AUSTRALIA

FINANCIAL REPORT

2011

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THOROUGHBRED RACING S.A. LIMITED ABN 25 094 475 939
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Directors' Report

The directors present their report together with the financial report of Thoroughbred Racing SA Limited ("the Company") for the period ended 30th June 2011 and the auditor's report thereon.

Directors

The directors of the Company throughout the financial year are:

Name and Qualifications	Experience and Special Responsibilities
<p>Ms Eleanor Frances Nelson QC LLB Chair</p>	<p>Frances is a barrister.</p> <p>She has considerable experience with the racing industry in SA and has conducted a number of inquiries into the Industry on behalf of Government and served on the Oakbank Committee for 20 years.</p> <p>She is the Chair of the Parole Board of South Australia and holds board positions on a number of privately owned companies.</p> <p>Frances is a member of the South Australian Jockey Club Inc and the Oakbank Racing Club Inc.</p> <p>Chairperson - Jumps Committee Chairperson - Race Dates Committee Member - Finance Committee</p>
<p>Mr Philip Bentley BA (Hons) M(Ec) Term Ended 18th October 2010</p>	<p>Philip is an economist.</p> <p>He has worked in the racing industry for a considerable period and conducted an inquiry into the SA Racing Industry for the State Government.</p> <p>He is Chairman Workcover Corporation and holds board positions on a number of privately owned companies.</p> <p>Philip is a member of the South Australian Jockey Club Inc.</p> <p>Member - Race Dates Committee Member - Finance Committee</p>
<p>Mr Andrew Killey Term Ended 18th October 2010</p>	<p>Andrew is a marketing, advertising and media consultant and Chairman kwp!, an advertising and marketing firm.</p> <p>kwp! have provided marketing and strategic services to the racing industry since 2002 and have been involved in the 'legs' campaign for the SAJC and the 'ants' campaign for Oakbank.</p> <p>He provides strategic advice to many of South Australia's marquee events including the Clipsal 500, the Tour Down Under, the Adelaide Festival of Arts and Womadelaide.</p> <p>Chair – Marketing Committee</p>

THOROUGHBRED RACING SOUTH AUSTRALIA: **Directors' Report**

Name and Qualifications	Experience and Special Responsibilities
<p>Mr Brian Morris BA (Acc), LLB, FCA, FCPA, MAICD</p>	<p>Brian is a Chartered Accountant and Partner of Edwards Marshall.</p> <p>He is a former member of the Companies Auditors Disciplinary Board and has served on the Board of the South Australian Film Corporation. He holds board positions on a number of privately owned companies.</p> <p>Brian is a member of the South Australian Jockey Club Inc.</p> <p>Chairman - Finance Committee Member - Marketing Committee</p>
<p>Mr David Rasheed BA (Acc), CA, FTIA</p>	<p>David is a Chartered Accountant and is Senior Partner of Tilbrook Rasheed.</p> <p>He is involved in the industry as an owner and breeder and has served on the Board of the South Australian Jockey Club. He holds board positions on a number of privately owned companies.</p> <p>David is a member of the South Australian Jockey Club Inc.</p> <p>Member - Finance Committee Member - Race Dates Committee</p>
<p>Mr Simon Ward LLB Appointed 12th November 2009</p>	<p>Simon is a solicitor and Partner of Piper Alderman.</p> <p>He regularly advises on the Rules of Racing and legislation affecting the industry.</p> <p>He is a Board member of YMCA INEA and the Legal Assistance Fund of the Law Society of SA.</p> <p>Simon is a member of the Oakbank Racing Club Inc.</p> <p>Member - Race Dates Committee</p>
<p>Mr David Cross BEc, CA, GAICD Appointed 18th October 2010</p>	<p>David has a background in economics and accountancy.</p> <p>His passion for thoroughbred racing developed through working for bookmakers whilst studying at university. His career includes fifteen years with SOLA International Inc. in varied roles including that of Managing Director. He holds non executive roles with RAA Insurance and Thai Optical Group Ltd along with the position of Vice President of the RAA of SA Inc.</p> <p>David is a member of the South Australian Jockey Club Inc.</p> <p>Chairman – Marketing Committee Member – Finance Committee</p>
Name and Qualifications	Experience and Special Responsibilities

<p>Mr Brian Foster Appointed 18th October 2010</p>	<p>Brian is a retired businessman.</p> <p>He has a long history of involvement in the thoroughbred racing industry of South Australia and has held various positions on the South Australian Racing Clubs Council and the Murray Bridge Racing Club. He is involved in the industry as an owner and breeder.</p> <p>Brian is a member of the South Australian Jockey Club Inc and the Murray Bridge Racing Club Inc.</p>
<p>Mr Ken Smith AM Appointed 18th October 2010</p>	<p>Ken own and operates a private business.</p> <p>He is a former Deputy Chairman of the South Australian Jockey Club and has a maintained a life long interest in the thoroughbred racing industry as both an owner and breeder. He holds and has held numerous positions on boards of both government and private enterprises.</p> <p>Ken is a member of the South Australian Jockey Club Inc, Oakbank Racing Club Inc, Murray Bridge Racing Club Inc and the Strathalbyn Racing Club Inc.</p> <p>Member - Race Dates Committee</p>

Company Secretary

The secretary of the Company at the end of the financial year was:

Name and Qualifications	Experience and Special Responsibilities
<p>Mr Nicholas Redin BSc (Acc)</p>	<p>Mr Redin is the Chief Operating Officer of Thoroughbred Racing SA Ltd</p>

Principal Activities

The Company is a company limited by guarantee. The company is the Controlling Authority for thoroughbred racing in South Australia.

The principal activities of the Company during the course of the financial year were to:

- (a) Regulate and control all aspects of thoroughbred horse racing including licensing, ownership, employment and participation;
- (b) Employ the personnel required to conduct race meetings and horse races;
- (c) Ensure the integrity of thoroughbred horse racing;
- (d) Effectively market and manage the South Australian Thoroughbred Racing brand; and
- (e) Prepare and implement plans and strategies for the management of the financial affairs of the thoroughbred horse racing code and for the development, promotion and marketing of the code in the state of South Australia.

General operations

The general operations of the company are to:

- (a) Receive distributions from SA TAB Pty Ltd from thoroughbred betting in South Australia;
- (b) Receive payments from organisations situated outside of South Australia that take bets on races conducted in this State;
- (c) Employ the personnel required to regulate the industry, plan and programme race meetings, conduct race

meetings and remunerate participants in thoroughbred horse racing;

- (d) Make payments of prize money to owners, trainers and jockeys;
- (e) Provide financial support and management assistance to racing clubs throughout South Australia;
- (f) Negotiate vision rights with suppliers for thoroughbred races;
- (g) Represent the South Australian industry's relationship with the Australian Racing Board Ltd and other controlling authorities throughout Australia;
- (h) Manage the industry's relationship with the State Government, primarily through the Minister for Racing.

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

Review and Results of Operations

Review of Operations

The company's loss for the year was \$766,706.

The result reflects significant increases in prizemoney and SABOIS bonuses paid which exceeded the 2009/10 year by \$3.549m, together with increased funding to South Australian Racing Clubs of \$463k over the prior year.

Dividends

The Company's constitution prohibits the payment of dividends.

State Of Affairs

In the opinion of the Directors, no significant changes in the company's State of Affairs occurred during the year.

Events Subsequent To Balance Date

In the opinion of the Directors, no matters or circumstances have arisen since the end of the financial year which 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 financial years.

Likely Developments

The company will continue to strive to improve the viability of thoroughbred racing in South Australia and the return to industry participants. Whilst this will not alter the direction of the company's activities, particular initiatives that are being pursued include the following:

- The completion of the redevelopment of the Murray Bridge racing venue which should result in a racetrack that has greater appeal to the wagering public with a consequential benefit to the industry from increased wagering revenue.
- Continued monitoring and fine tuning of Saturday Metropolitan race programs aimed at driving off course wagering revenue.
- Develop initiatives aimed at improving both the race fields and attendances at Metropolitan, Provincial and Country race meetings.
- Re-establishment of a South Australian Racing Carnival during the last week of April and the first two weeks of May, aimed at lifting the profile of South Australian Racing on both the national and international scene.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Directors' Report**

Directors' Meetings

The numbers of meetings of the board and board committees and the attendances of each director are set out in the following table:

Director	Board	Finance	Marketing	Race Dates	Jumps
Mr P Bentley*	3	1			
Mr A Killey*	3		1		
Mr B Morris	11	3	2		
Ms E Nelson QC	12	3		2	2
Mr D Rasheed	11	3		2	
Mr S Ward	12			2	
Mr D Cross#	8	1	1		
Mr B Foster#	8				
Mr K Smith AM#	7				
Total Meetings Held	12	3	2	2	2

* Messrs Bentley and Killey retired under Clause 30 of the Constitution at the Company's AGM on 18th October 2010.

Messrs Cross, Foster and Smith were appointed on 18th October 2010.

The board has also established a number of steering committees in respect of significant projects being undertaken at race clubs.

- Messrs Smith, Foster and Rasheed work on a committee with members of the Murray Bridge Racing Club Inc on the project to develop a new course and associated facilities at Murray Bridge.
- Ms Nelson QC is the Thoroughbred Racing SA Ltd nominated Director for Gifford Hill Pty Ltd, the joint venture company formed for the wider Murray Bridge Development.
- Ms Nelson QC is the Board liaison with the Port Augusta Racing Club on projects to realise surplus real

property adjacent to the club's facilities and to redevelop the race course and facilities of that club.

Other Matters

Auditor's Independence Declaration

The Auditor's Independence Declaration is set out on page 29 and forms part of the directors' report for the financial year ended 30th June 2011.

Insurance of Officers

The Company has paid insurance premiums in respect of directors' and officers' liability insurance contracts for current directors and officers.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in

respect of the directors' and officers' liability contract as such disclosure is prohibited under the terms of the contract.

Dated at Adelaide this 30th day of September 2011.

Signed in accordance with a resolution of directors:



F Nelson QC

Director

Auditor's Independence Declaration



**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF THOROUGHBRED RACING SA LIMITED**

I declare that to the best of my knowledge and belief, during the year ended 30 June 2011, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck
ABN: 38 280 203 274

D.B. Spencer
Partner

Dated this 30th day of September, 2011.

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

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Financial Statements

Statement of Comprehensive Income

Thoroughbred Racing SA Limited. For the year ended 30 June 2011.

		30 June 2011	30 June 2010
	Note	\$	\$
Revenue	2	41,851,243	39,228,907
Other income	3	1,920,000	1,020,000
Financial income	4	564,057	585,014
Prizemoney	5(a)	(32,521,366)	(28,972,853)
Industry payments	5(b)	(6,270,852)	(5,807,956)
Employee expenses		(2,929,298)	(2,626,338)
Depreciation expenses		(258,887)	(226,079)
Legal fees		(152,263)	(116,046)
Financial expenses	5(c)	(842)	-
Other expenses	5(d)	(2,968,498)	(2,805,673)
Net Surplus / (Loss)		(766,706)	278,976
Other Comprehensive Income:			
Net fair value (loss)/gain on re-measurement of investments in equity securities available-for-sale		(20,952)	47,792
Total Comprehensive Income		(787,658)	326,768

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 34 to 56.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Financial Statements**

Balance Sheet

Thoroughbred Racing SA Limited. For the year ended 30 June 2011.

	Note	30 June 2011 \$	30 June 2010 \$
Current assets			
Cash and cash equivalents	6	2,182,115	4,745,639
Trade and other receivables	7	15,467,942	11,773,626
Other assets	8	124,846	170,646
Total current assets		17,774,903	16,689,911
Non-current assets			
Plant and equipment	9	1,358,197	1,357,597
Financial assets - investments	10	1,023,199	1,044,151
Total non-current assets		2,381,396	2,401,748
Total assets		20,156,299	19,091,659
Current liabilities			
Trade and other payables	11	2,237,554	4,052,212
Borrowings	12	4,000,000	-
Provisions	13	510,256	410,362
Other liabilities	14	731,016	765,493
Total current liabilities		7,478,826	5,228,067
Non-current liabilities			
Provisions	13	18,939	25,842
Other liabilities	14	953,542	1,345,100
Total non-current liabilities		972,481	1,370,942
Total liabilities		8,451,306	6,599,009
Net assets		11,704,992	12,492,650
Equity			
Reserves	15	70,954	91,906
Retained profits		11,634,038	12,400,744
Total equity		11,704,992	12,492,650

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 34 to 56.

Statement of Changes in Equity

Thoroughbred Racing SA Limited. For the year ended 30 June 2011.

	Reserves	Retained Profits	Total
Balance as at 30 June 2009	44,114	12,121,768	12,165,882
Net Surplus for the year	-	278,976	278,976
Other Comprehensive Income for the year	47,792	-	47,792
Balance as at 30 June 2010	91,906	12,400,744	12,492,650
Net Surplus / (Loss)	-	(766,706)	(766,706)
Change in fair value of equity securities available-for-sale	(20,952)	-	(20,952)
Balance as at 30 June 2011	70,954	11,634,038	11,704,992

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 34 to 56.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Financial Statements**

Statement of Cash Flows

Thoroughbred Racing SA Limited. For the year ended 30 June 2011.

	Note	30 June 2011 \$	30 June 2010 \$
Cash flows from operating activities			
Receipts in the course of operations		47,030,833	42,884,705
Payments in the course of operations		(50,863,265)	(42,850,647)
Interest received		538,682	573,276
Dividends received		31,043	30,273
Loan repayments from / (loans to) clubs		(209,030)	286,681
Net cash provided by operating activities	16	(3,471,737)	924,288
Cash flows from investing activities			
Proceeds on disposal of investments		4,091	-
Payments from investments		-	3,500,000
Payments for plant and equipment		(259,487)	(220,069)
Net cash (used in)/provided by investing activities		(255,396)	3,279,931
Cash flows from financing activities			
Gawler Redevelopment Costs		(2,836,391)	(5,998,403)
Proceeds from SAJC Loan		4,000,000	-
Net cash (used in) financing activities		1,163,609	(5,998,403)
Net (decrease) in cash held		(2,563,524)	(1,794,184)
Cash and cash equivalents at the beginning of the financial year		4,745,639	6,539,823
Cash and cash equivalents at the end of the financial year	6	2,182,115	4,745,639

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 34 to 56.

Notes to the Financial Statements

The financial statements cover Thoroughbred Racing SA Limited (“the Company”) as an individual entity, incorporated and domiciled in Australia. Thoroughbred Racing SA Limited is a company limited by guarantee.

The financial report was authorised for issue by the Directors of the Company on 30 September 2011.

1. Summary of significant accounting policies

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001 (Cth).

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Revenues

Revenues are recognised at fair value of the consideration received net of the

amount of goods and services tax (GST).

TAB product fee revenue

Revenue from TAB product fees is recognised as it accrues.

Betting Operations Contribution

Revenue from Betting Operations Contribution is recognised as it accrues.

SABOIS revenue

SABOIS subscriptions are not recognised as revenue until horses are two years old, when one third is recognised as revenue and the balance is recognised when the horses are three year olds.

Sale of goods

Revenue from the sale of goods is recognised when control of the goods passes to the customer.

Financial income

Financial income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets through profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Company’s right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(b) Financial expenses

Financial expenses comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

(c) Taxation

No provision for income tax has been raised as Thoroughbred Racing SA Limited is exempt from income tax under the Income Tax Assessment Act 1997.

(d) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Statement of Financial Position.

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

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts, if any, are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

(f) Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment. In the

1. Summary of significant accounting policies (continued)

event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount. A formal assessment of recoverable amount is made when impairment indicators are present.

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is available for use.

The estimated useful lives for each class of depreciable asset are:

- Plant and equipment 3-10 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Statement of Comprehensive Income.

(g) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs except where

the instrument is classified "at fair value through profit or loss", in which case transaction costs are recognised in profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, or where they are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in

accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in fair value (ie gains or losses) being recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or

1. Summary of significant accounting policies (continued)

loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability, which is extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(b) Impairment of assets

At the end of each reporting period, the

Company reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised in profit or loss.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an assets class, the Company estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

(i) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(j) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts

expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Contributions are made by the Company to an employee superannuation fund and are charged as expenses when incurred.

(k) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(l) Comparative figures

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

(m) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both

1. Summary of significant accounting policies (continued)

externally and within the Company.

Key estimates - Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(n) New accounting standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt. A discussion of those future requirements that are potentially material to the Company and their impact on the Company is as follows:

- AASB 9: Financial Instruments, AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013)

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The changes also incorporate the classification and

measurement requirements for financial liabilities, and the recognition and derecognition requirements for financial instruments. The Company has not yet determined any potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value
- simplifying the requirements for embedded derivatives
- removing the tainting rules associated with held-to-maturity assets
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
- financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows.
- AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and

Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013)

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (i.e. full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and State, Territory and Local Governments.

The following entities can elect to apply Tier 2 of the framework when preparing general purpose financial statements:

- for-profit private sector entities that do not have public accountability;
- not-for-profit private sector entities; and
- public sector entities, whether for-profit or not-for-profit, other than the Australian Government and State, Territory and Local Governments.

AASB 2010-2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific 'RDR' disclosures.

1. Summary of significant accounting policies (continued)

This Standard is not expected to impact the Company.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The standard also amends AASB 8 to require entities to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. This Standard is not expected to impact the Company.

- AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011)

This standard details numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. This Standard is not expected to impact the Company.

- AASB 2010-5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods commencing on or after 1 January 2011)

The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. This Standard is not expected to impact the Company.

- AASB 2010-6: Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods commencing on or after 1 July 2011)

This Standard adds and amends disclosure requirements about transfers of financial assets, including in respect of the nature of the financial assets involved and the risks associated with them. This Standard is not expected to impact the Company.

- AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113] (applicable for annual reporting periods commencing on or after 1 July 2011)

AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs. This Standard is

not expected to impact the Company.

- AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements [AASB 101 & AASB 1054] (applicable for annual reporting periods commencing on or after 1 July 2013)

AASB 2011-2 establishes reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards - Reduced Disclosure Requirements in relation to the Australian additional disclosures arising from the Trans-Tasman Convergence Project. The company has not yet assessed the impact of this standard.

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124] (applicable for annual reporting periods commencing on or after 1 July 2013).

This standard removes all the individual key management personnel disclosures contained in Aus paragraphs 29.1 to 29.9.3 of AASB 124. The changes apply to each disclosing entity, or group of which a disclosing entity is the parent that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act for their first annual reporting period beginning on or after 1 July 2013. This standard is not available for early adoption, however as the Company is not a disclosing entity these changes are not expected to impact the Company.

The Company does not anticipate early adoption of any of the above Australian Accounting Standards or Interpretations.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Notes to the Financial Statements**

	30 June 2011	30 June 2010
	\$	\$
2. Revenue		
TAB Product Fees and Betting Operations Contributions	39,757,910	37,484,740
Screening & International Rights	707,393	555,348
SABOIS subscriptions	432,160	355,233
Registration fees	224,695	215,903
Publications	290,602	251,262
Other	438,483	366,422
Total revenue	41,851,243	39,228,907

TAB product fees are recognised net of the SA Government tax commonly referred to as Clawback. The effect of this tax has been to reduce TRSA revenue by \$2,104,280 for the year ended 30 June 2010 (30 June 2010: \$2,126,969)

3. Other Income

SAJC Contribution to Industry Prizemoney	1,800,000	900,000
Government promotional grants	120,000	120,000
Total other income	1,920,000	1,020,000

4. Financing Income

Interest income	533,014	554,741
Dividend income	31,043	30,273
Total financial income	564,057	585,014

5. Net Surplus/(Loss) for the Year

(a) Prizemoney

Prizemoney, Unplaced Subsidies and Riding Fees	30,648,241	27,227,928
SABOIS Bonuses	1,873,125	1,744,925
Total Prizemoney	32,521,366	28,972,853

	30 June 2011	30 June 2010
	\$	\$
5. Net Surplus/(loss) for the Year (continued)		
(b) Industry Payments		
Training Grants and Raceday Usage payments	1,500,000	1,434,000
Race Day Payments & Costs	1,337,947	1,147,152
Club Promotion and Operational purposes	1,215,483	1,346,732
Club Capital Expenditure	818,634	707,066
Workcover & Insurance - Jockeys	919,801	813,267
Industry Staff Costs	478,987	359,739
Total Industry Payments	6,270,852	5,807,956
(c) Financial Expenses		
Interest expense	842	-
Total financial expenses	842	-
(d) Other Expenses		
Advertising & Marketing	401,102	254,426
Marketing Professional Fees	214,690	226,240
Publication Expenses	316,211	277,283
Swab & Veterinary Supplies	254,975	256,541
TAFE Relocation	525	67,103
Other	1,780,995	1,724,080
Total other expenses	2,968,498	2,805,673
(e) Auditor Remuneration		
Audit Services - William Buck		
Audit of the financial report	14,400	13,960

THOROUGHBRED RACING SOUTH AUSTRALIA: **Notes to the Financial Statements**

	30 June 2011	30 June 2010
	\$	\$
6. Cash and cash equivalents		
Cash at bank and on hand	72,072	93,478
Short-term bank deposits	2,110,043	4,652,161
Total cash and cash equivalents as stated in the:	2,182,115	4,745,639
- Statement of Financial Position		
- Statement of Cash Flows		

7. Trade and other receivables

Current		
Trade receivables	2,983,289	3,659,517
Other receivables	2,336,258	1,011,135
Loans to Thoroughbred Racing Clubs - secured	10,148,395	7,102,974
	15,467,942	11,773,626

8. Other assets

Current		
Prepayments	124,846	170,646
	124,846	170,646

	30 June 2011	30 June 2010
	\$	\$
9. Plant and equipment		
Plant and equipment - at cost	3,510,003	3,280,500
Less: accumulated depreciation	(2,151,806)	(1,922,903)
Total plant and equipment	1,358,197	1,357,597

The Company's plant and equipment includes assets purchased for the use of clubs generally and for industry wide purposes.

Movements in carrying amounts

Movements in the carrying amounts for each class of plant and equipment between the beginning and the end of the financial year:

Carrying amount at the beginning of the year	1,357,597	1,363,607
Additions at cost	259,487	220,069
Disposals	-	-
Depreciation expense	(258,887)	(226,079)
Carrying amount at end of year	1,358,197	1,357,597

10. Financial assets - Investments

Non-current

- Investment in Racing Information Services Australia Pty Ltd ('RISA')	374,229	374,229
Available-for-sale financial assets		
Listed equity securities available for sale	648,970	669,922
	1,023,199	1,044,151

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

11. Trade and other payables

Current

Trade payables	629,793	898,111
Other payables and accruals	1,607,761	3,154,101
	2,237,554	4,052,212

THOROUGHBRED RACING SOUTH AUSTRALIA: **Notes to the Financial Statements**

	30 June 2011	30 June 2010
	\$	\$
12. Borrowings		
Current		
Interest Bearing Loan - SAJC	4,000,000	-
	4,000,000	-

13. Provisions

Current		
Employee benefits - annual leave	253,212	200,733
Employee benefits - long service leave	257,044	209,628
	510,256	410,362
Non-current		
Employee benefits - long service leave	18,939	25,842
	18,939	25,842
Total provisions	529,195	436,204
Opening balance at 1 July 2010	436,204	351,961
Additional provisions raised during the year	92,991	84,243
Amounts used	-	-
Balance at 30 June 2011	529,195	436,204

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1(j) to these financial statements.

14. Other liabilities

Current		
Income received in advance	731,016	765,493
	731,016	765,493
Non-current		
Income received in advance	953,542	1,345,100
	953,542	1,345,100
Total other liabilities	1,684,558	2,110,593

	30 June 2011	30 June 2010
	\$	\$
15. Fair value reserve		
The fair value reserve includes the cumulative net change in the fair value of available for sale investments until the investment is derecognised.		
16. Cash flow information		
Reconciliation of net surplus/(loss) for the year to net cash provided by operating activities		
Net (loss)/surplus for the year	(766,706)	278,976
Add/(less) items classified as investing/financing:		
- (Profit)/loss on sale of investments	(4,091)	-
Add/(less) non-cash items:		
- Amounts set aside to provisions	92,991	84,243
- Depreciation expense	258,887	226,079
<hr/>		
Net cash from operating activities before change in assets and liabilities	(418,919)	589,298
Change in assets and liabilities during the period:		
- (Increase)/decrease in trade receivables	676,227	(1,128,813)
- (Increase)/decrease in other receivables	(1,325,122)	(268,786)
- (Increase)/decrease in loans to Thoroughbred Racing Clubs	(209,030)	286,681
- (Increase)/decrease in other assets	45,800	(124,475)
- Increase/(decrease) in trade payables	(268,318)	555,621
- Increase/(decrease) in other payables and accruals	(1,546,340)	1,237,573
- Increase/(decrease) in income received in advance	(426,035)	(222,811)
<hr/>		
Net cash provided by operating activities	(3,471,737)	924,288
<hr/>		

	30 June 2011	30 June 2010
	\$	\$
17. Related party transactions		
Key management personnel compensation		
The key management personnel compensation included in employee expenses are as follows:		
Short term employee benefits	535,500	511,330
Post-employment benefits	46,136	44,406
	581,636	555,736

Directors

The names of each person holding the position of director of Thoroughbred Racing SA Limited during the financial year are Ms E.F Nelson QC and Messrs P Bentley (Ret.), G Boulton (Res.), A Killey (Ret.), B Morris, D Rasheed, S Ward, D Cross (Appt.) K Smith (Appt.) B Foster (Appt.).

Directors Compensation

The directors compensation included in employee expenses are as follows:

Short-term employee benefits - Directors remuneration	196,361	197,254
Post-employment benefits	11,367	6,399
	207,728	203,653

Directors' transactions with the Company

The terms and conditions of the transactions with directors and director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to directors and director related entities were as follows :

Director	Transaction	Note	2011	2010
Mr A Killey (Ret.)	Marketing Services	(i)	116,406	171,554
Mr S Ward	Legal Services	(ii)	21,274	42,798

(i) The Company used the marketing services of associated entities of Mr A Killey in relation to marketing campaigns and talent retention for the industry. The expenses cover the period 1/7/10 – 18/10/10 when Mr Killey retired as a Director.

(ii) The Company used the legal services of associated entities of Mr S Ward in relation to maintaining integrity for the industry and agreements with industry stakeholders

Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms and include reimbursement of direct expenses incurred.

2011
2010
\$

17. Related party transactions (continued)

Amounts receivable from and payable to directors and director related entities at reporting date arising from the above transactions were as follows:

Current trade and other payables		\$
- Trade payables	710	48,237

South Australian Jockey Club Inc

The South Australian Jockey Club Inc (SAJC) is one of the two members of the Company and controls 50% of the voting power in general meeting and thereby has significant influence over the company. The following transactions occurred between the company and the SAJC during the year:

The SAJC contributed \$1.8 million to the Company as a contribution to prize money, pursuant to an undertaking given by the SAJC to contribute portion of the income derived by the SAJC from the proceeds of the sale of Cheltenham racecourse. This amount has been recognised as other income in the Statement of Comprehensive Income.

- The contribution to prize money for the 2011 financial year was outstanding at balance date and is included in trade and other receivables in the Balance Sheet. This amount is non interest bearing.
- The Company made payments of \$1,271,861 direct to the SAJC during the year in line with the Industry’s club funding models implemented by the Board for training grants and race day usage of the Morphettville courses, race day costs, promotional and operational purposes and capital expenditure. These payments are included in the expense item Industry Payments in Statement of Comprehensive Income.
- The Company entered into a loan agreement with and borrowed \$4 million from the SAJC to provide working capital. The agreement provides for the SAJC to earn interest at a rate higher than available commercially to it, and for the Company to borrow funds on more favourable terms. The loan is secured against the SAJC’s commitment to make further payments to fund prize money.

South Australian Racing Clubs Council

The South Australian Racing Clubs Council (SARCC) is one of the two members of the Company and controls 50% of the voting power in general meeting and thereby has significant influence over the company.

The Company made payments of \$40,000 to SARCC during the year for operational purposes. These payments are included in the expense item Industry Payments in Statement of Comprehensive Income.

The members of SARCC are the South Australian Racing Clubs (Clubs) other than the SAJC. The following transactions occurred between the company and Clubs during the year:

- The Company made payments of \$2,394,154 direct to Clubs during the year in line with the Industry’s club funding models implemented by the Board for training grants and race day usage of the Morphettville courses, race day costs, promotional and operational purposes and capital expenditure. These payments are included in the expense item Industry Payments in Statement of Comprehensive Income.
- The Company has entered into loan agreements with and made loans to Clubs to provide working capital and to facilitate capital projects, which amounted to \$10,148,395 at 30 June 2011 (2010 \$7,102,974). The agreements provided for the company to earn interest at commercial rates. The loans are secured. Interest earned by the company amounted to \$359,324 (2010 \$57,190) and is included in financial income in the Statement of Comprehensive Income.

		2011	2010
	Note	\$	\$

18. Contingent liabilities

SABOIS

Qualified yearling horses are nominated for the South Australian Breeders & Owners Incentive Scheme (SABOIS) allowing them the opportunity to win bonuses in specified races during their two and three year old years.

No provision for future bonuses has been made in the statement of financial position as the requirement to pay a bonus does not arise until such time as the horse wins or is placed in a SABOIS race.

An estimate has been made based on past experience of likely future bonuses payable for those horses nominated for the scheme that are yet to reach the age of four. At 30th June 2011 it is estimated that these future bonuses will be \$5.1M.

19. Financial risk management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and loans, investments, accounts payable and borrowings.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

Financial assets			
Cash and cash equivalents	6	2,182,115	4,745,639
Receivables and loans	7	15,467,942	11,773,626
Investments	10	1,023,199	1,044,151
Total financial assets		18,673,256	17,563,416
Financial liabilities			
Financial liabilities at amortised cost			
- Trade and other payables	11	2,237,554	4,052,212
- Borrowings	12	4,000,000	-
Total financial liabilities		6,237,554	4,052,212

Risk management framework

Identification, measurement and management of risk is a priority for the Company. The provision of administration and management to the horse racing industry in South Australia carries a number of diverse risks which may have a material impact on the Company's financial position and performance. Consequently, the Board and Management have established a framework covering accountability, oversight, measurement and reporting to maintain high standards of risk management.

The Company allocates specific roles in the management of risk to Management. This is undertaken within an overall framework and strategy established by the Board.

2011
\$

2010
\$

19. Financial risk management (continued)

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

- Credit risk
- Liquidity risk
- Market risk

(a) Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of a customer to meet their obligations to the Company on time and in full, as contracted. It arises principally from the Company’s receivables from customers and investment securities. To address this risk, the Company has implemented a credit risk management framework which has been approved by the Board.

Management of credit risk

The Company’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company’s customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Approximately 68 percent (2010: 68 percent) of the Company’s revenue is attributable to transactions with a single customer. Geographically there is no concentration of credit risk.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company’s standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Management. Customers that fail to meet the Company’s benchmark creditworthiness may transact with the Company only on a prepayment basis. The policy cannot be applied to persons licensed under the Betting Operations Contribution Agreement as legislation dictates that persons wagering on South Australian thoroughbred racing will be indebted to the company for Betting Operations Contributions.

Maximum Company credit exposures for financial assets are analysed below:

Cash at bank and on hand	72,072	93,478
Short-term bank deposits	2,110,043	4,652,161
Trade and other receivables	5,319,547	4,670,653
Loans to Thoroughbred Racing Clubs	10,148,395	7,102,974
Total Exposures	17,650,057	16,519,265

Trade and other receivables arise largely as a result of the racing distribution agreement with the SA TAB.

Trade receivables are analysed as follows:

Not impaired:		
- Within initial trade terms	15,467,942	11,773,626
- Past due but not impaired	-	-
Past due and impaired	-	-
	15,467,942	11,773,626

19. Financial risk management (continued)**Impaired trade receivables**

At 30 June 2011, the impairment provision is \$nil (2010: \$nil). The amount of debtors written off as unrecoverable during the year was \$nil (2010: \$nil).

(b) Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations when they come due, or will have to do so at excessive cost.

Exposure to and management of liquidity risk

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

Contractual maturities for financial liabilities on a gross cash flow basis are analysed below:

	Within 1 year	1 to 5 years	Over 5 years	Total amount
As at 30 June 2011				
Financial liabilities due for payment				
Trade and other payables	2,237,554	-	-	2,237,554
Borrowings (interest bearing loans)	4,000,000	-	-	4,000,000
Total expected outflows	6,237,554	-	-	6,237,554
Financial assets - cash flows realisable				
Cash and cash equivalents	2,182,115	-	-	2,182,115
Trade and other receivables	15,467,942	-	-	15,467,942
Investments	-	648,970	374,229	1,023,199
Total anticipated inflows	17,650,057	648,970	374,229	18,673,256
Net inflow on financial instruments	11,412,503	648,970	374,229	12,435,702
As at 30 June 2010				
Financial liabilities due for payment				
Trade and other payables	4,052,212	-	-	4,052,212
Borrowings (interest bearing loans)	-	-	-	-
Total expected outflows	4,052,212	-	-	4,052,212
Financial assets - cash flows realisable				
Cash and cash equivalents	4,745,639	-	-	4,745,639
Trade and other receivables	11,773,626	-	-	11,773,626
Investments	-	669,922	374,229	1,044,151
Total anticipated inflows	16,519,265	669,922	374,229	17,563,416
Net inflow on financial instruments	12,467,053	669,922	374,229	13,511,204

2011
\$

2010
\$

19. Financial risk management (continued)

(c) Market risks

Market risk is the risk that movements in interest rates, foreign exchange rates, equity prices or commodity prices will affect the Company's profits. Market risk arises in interest rate risk and equity prices.

(i) Interest rate risk

Market risk centres on interest rate risk arising from changes in the shape and direction of interest rates (yield curve risk) as well as mismatches in the re-pricing term of assets and liabilities. Interest rate risk is monitored by Management under guidelines and limits defined by the Board.

At the end of the reporting period the interest rate profile of the Company's interest-bearing financial instruments was:

Fixed rate instruments

Short-term bank deposits	2,110,043	4,652,161
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Variable rate instruments

Financial Assets	72,072	93,478
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(ii) Equity price risk

Equity price risk is the risk movement in investment prices in which the Company has invested will affect the Company's profits. An overall reduction of 5% or more in investment prices will have an impact, of which the decline in some securities will be offset by the Fair value reserve.

Financial assets - investments

Listed equity securities available for sale	648,970	669,922
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Sensitivity analysis

The following table illustrates sensitivities to the Company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

+/- 100 basis points in interest rates on variable rate instruments	+/- 721	+/- 935
+/- 5% in the prices of investments in listed equity securities	+/- 32,449	+/- 33,496

(d) Net fair values

Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair values is extracted from the market, with more reliable information available from

19. Financial risk management (continued)

markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the company. Most of these instruments, which are carried at amortised cost (ie trade receivables, borrowings), are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Company.

The fair values of financial assets and liabilities are equal to the carrying amounts recorded in the Statement of Financial Position.

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
As at 30 June 2011				
Financial assets:				
Available-for-sale financial assets				
- Listed investments	648,970	-	-	648,970
- Unlisted investments	-	374,229	-	374,229
	648,970	374,229	-	1,023,199

As at 30 June 2010

Financial assets:

Available-for-sale financial assets

- Listed investments	669,922	-	-	669,922
- Unlisted investments	-	374,229	-	374,229
	669,922	374,229	-	1,044,151

20. Company details

The registered office and principal place of business of the Company is:

Thoroughbred Racing SA Limited
Morphettville Racecourse
MORPHETTVILLE SA 5043

21. Members' guarantee

The Company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$2.00 each towards meeting any outstandings and obligations of the Company. At 30 June 2011 the number of members was 2.

22. Risk management

(a) Risk management framework

Identification, measurement and management of risk is a priority for the Company. The provision of administration and management to the horse racing industry in South Australia carries a number of diverse risks which may have a material impact on the Company's financial position and performance. Consequently, the Board and Management have established a framework covering accountability, oversight, measurement and reporting to maintain high standards of risk management.

The Company allocates specific roles in the management of risk to Management. This is undertaken within an overall framework and strategy established by the Board.

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

(b) Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of a customer to meet their obligations to the Company on time and in full, as contracted. It arises principally from the Company's receivables from customers and investment securities. To address this risk, the Company has implemented a credit risk management framework which has been approved by the Board.

22. Risk management (continued)

Management of credit risk

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Approximately 68 percent (2010: 68 percent) of the Company's revenue is attributable to transactions with a single customer. Geographically there is no concentration of credit risk.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Management. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The policy does not apply to persons licensed under the Betting Operations Contribution Agreement.

Maximum Company credit exposures for financial assets are analysed below:

	Maximum credit risk exposure 2011	Maximum credit risk exposure 2010
Cash and cash equivalents	72,072	93,478
Bank short term deposits	2,110,043	4,652,161
Trade and other receivables	5,319,547	4,409,989
Investment securities	648,970	669,922
Investments in other entities	374,229	374,229
Loans to thoroughbred racing clubs	10,148,395	7,102,974
Prepayments and accrued income (excluding non financial assets)	124,846	170,646
Total Exposures	18,798,102	17,473,399

Trade and other receivables arise largely as a result of the racing distribution agreement with the SA TAB.

Trade receivables are analysed as follows:

	2011	2010
Not impaired:		
Neither past due nor impaired	2,983,289	3,659,516
Past due greater than 3 months but not impaired	-	-
Impaired	-	-

22. Risk management (continued)

Impaired trade receivables

At 30 June 2011, the impairment provision is \$nil (2010: \$nil). The amount of debtors written off as unrecoverable during the year was \$nil (2010: \$nil).

Investments

The Company holds equities available for sale that are traded on the stock exchange.

(c) Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations when they come due, or will have to do so at excessive cost.

Exposure to and management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Contractual maturities for financial liabilities on a gross cash flow basis are analysed below:

Company	Carrying amount	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
As at 30 June 2011						
Trade payables (excluding non financial liabilities)	629,793	629,793	-	-	-	-
Other payables and accruals (excl non financial liabilities)	1,607,761	1,607,761	-	-	-	-
Income received in advance	1,684,558	-	-	731,016	953,542	-
Loan - South Australian Jockey Club	4,000,000	-	-	4,000,000	-	-
Total	7,922,112	2,237,554	-	4,731,016	953,542	-
As at 30 June 2010						
Trade payables (excluding non financial liabilities)	898,111	898,111	-	-	-	-
Other payables and accruals (excl non financial liabilities)	3,154,101	3,154,101	-	-	-	-
Income received in advance	2,110,593	-	-	765,493	1,345,100	-
Total	6,162,805	4,052,212	-	765,493	1,345,100	-

22. Risk management (continued)

(d) Market risks

Market risk is the risk that movements in interest rates, foreign exchange rates, equity prices or commodity prices will affect the Company's profits. Market risk arises in interest rate risk and equity prices.

Interest rate risk

Market risk centres on interest rate risk arising from changes in the shape and direction of interest rates (yield curve risk) as well as mismatches in the re-pricing term of assets and liabilities.

At reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	2011	2010
Fixed rate instruments		
Financial assets	2,110,043	4,652,161
Variable rate instruments		
Financial assets	72,072	93,478

The Company does not have any exposure to interest rate movements for fixed rate instruments.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, remain constant.

	100bp increase	100bp decrease
30-Jun-11		
Variable rate instruments	721	(721)
30-Jun-10		
Variable rate instruments	935	(935)

Management of interest rate risk

Interest rate risk is monitored by Management under guidelines and limits defined by the Board.

Equity Price risk

Equity price risk is the risk movement in investment prices in which the Company has invested will affect the Company's profits. An overall reduction of 5% or more in investment prices will have an impact, of which the decline in some securities will be offset by the Fair value reserve.

22. Risk management (continued)

	Carrying amount	2011 Effect on profit/equity		Carrying amount	2010 Effect on profit/equity	
		-5%	5%		-5%	5%
Listed equities	648,970	(32,449)	32,499	669,922	(33,496)	33,496

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities are equal to the carrying amounts recorded in the balance sheet.

Directors' Declaration

DIRECTORS' DECLARATION

In the opinion of the directors of Thoroughbred Racing S.A. Limited (the "Company"):

1. The financial statements and notes, set out on pages 9 to 34, are in accordance with the Corporations Act 2001:
 - a. Complying with Accounting Standards; and
 - b. Giving a true and fair view of the financial position of the Company as at 30 June 2011 and of the performance for the year ended on that date of the Company.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



F Nelson QC
Director

Dated at Adelaide this 30th day of September 2011.

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THOROUGHBRED RACING SA LIMITED

We have audited the accompanying financial report of Thoroughbred Racing SA Limited, which comprises the balance sheet as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Thoroughbred Racing SA Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

Sydney
Melbourne
Brisbane
Perth
Adelaide
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THOROUGHBRED RACING SOUTH AUSTRALIA: **Independent Auditor's Report**



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THOROUGHBRED RACING SA LIMITED**

Auditor's Opinion

In our opinion the financial report of Thoroughbred Racing SA Limited is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

William Buck

William Buck
ABN: 38 280 203 274

D.B. Spencer

D.B. Spencer
Partner

Dated this *30th* day of September, 2011.

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

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THOROUGHBRED RACING SA LIMITED

ANNUAL REPORT

2013



THOROUGHBRED RACING SOUTH AUSTRALIA



THOROUGHBRED RACING SA LIMITED

ANNUAL REPORT 2013

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Cover image: Platelet | 2013 Sportingbet Classic
& Distinctive Homes Goodwood winner
Trainer: Darren Weir | Jockey: Ben Melham
Photo courtesy of Atkins Photography

** All racing photos courtesy of Atkins Photography and Fuller Images*



Photo courtesy of Fuller Images

Chairman's Report



Frances Nelson QC Chairman

It was a testimony to the depth of the Thoroughbred Industry in South Australia to see the significant achievements both within the State and interstate of South Australian horses, trainers and riders. Without being exhaustive, the Board of TRSA congratulates Alcopop and Jake Stephens, Happy Trails and Paul Beshara, Miracles of Life and Daniel Clarken and Lauren Stojakovic, Maybe Discreet and Phillip Stokes and Dom Tourneur. It was a tribute to the effectiveness of our apprentice scheme that Jamie Kah in her first full season took out the Metropolitan Jockeys Premiership and also a tribute to her master John McMillan. It was also pleasing to see Amy Herrmann take out a Mosstrooper Award in her first season as a cross country rider. All of those horses and people are great ambassadors for our sport and our industry.

Liaison with Government – ECONOMIC AND SOCIAL IMPACT REPORT

It is recognised by the Board of TRSA that a positive relationship with Government is important to the profile of the industry generally and whilst we have worked consistently to promote and maintain such a relationship in late 2012 we decided that the

Racing Industry generally should commission a report which would provide definitive and objective data relating to the social and economic benefits to the State and the community generally. The Economic and Social Impact Report was commissioned by TRSA in association with Greyhound Racing SA and Harness Racing SA. A highly respected strategic consulting business which completed a similar report in 2004 and has done likewise in other jurisdictions, was asked to undertake a study identifying specifically the economic and social impact of the Racing Industry on the State. Their report entitled "Economic Social and Community Benefits of the South Australian Racing Industry" has been received and provides a comprehensive overview of the sectors included within the industry, and specifically their importance to the State.

Upon receipt of the report TRSA has liaised and consulted with its shareholders, the Thoroughbred Racing Industry stakeholders and participants, and formulated a policy (along with the other two codes) to be placed before both Government and the Opposition, seeking funding support by way of direct support and, within their respective election manifestos, a re-establishment of the portfolio of the Minister for Racing and the adoption of a formal racing policy by both parties. The report is not the industry submission in itself but provides clear and objective evidence of the importance of the industry to the State, and provides both parties with clear justification for the support sought. The Racing Industry is an undoubted community asset and should be recognised as such.


The report "Economic Social and Community Benefits of the South Australian Racing Industry" can be viewed on our website but

some of the key facts are that the South Australian Racing Industry:-

- Generates \$401.7M per annum in economic benefits for the State.
- Sustains the employment of 3,628 South Australians (FTE).
- Provides \$224M in household income.
- Generates GST of \$19M per annum.
- Is second only to the AFL in terms of attendance at events each year.
- 1 in every 80 South Australian adult residents are employed in, or participate in, the South Australian Racing Industry.
- 1 in every 115 adult residents of the metropolitan area similarly are employed in, or participate in, the South Australian Racing Industry.
- \$27.2M annually is spent in breeding of horses and greyhounds and \$94.9M is spent annually in their preparation (with thoroughbreds accounting for \$21.7M and \$56.71M respectively).

Challenges

The TRSA Board recognises the many challenges that exist both nationally and internationally in terms of generating revenue in the present economic climate, and of increasing regulatory demands with resultant rising operational costs. There is an emphasis on work health and safety requirements. In the context of historical infrastructure this puts a significant onus on Clubs' capital expenditure requirements. We recognise the commitment of the existing volunteers without which the industry simply would cease to operate and we also recognise that such challenges can be daunting in terms of encouraging other volunteers to assist at a Club level.



The Board has made available resources to assist at Club level to deal with administrative, WH & S issues and marketing.

It was again important to secure appropriate BOC Integrity and Contribution Agreements to ensure that wagering operators contribute sufficiently in terms of the return to racing from their operations. We have also been mindful to work productively with Sky Channel in terms of racing timetables to maximise turnovers and thus revenue.

Vale Simone Montgomerie

The Racing Industry was saddened by the tragic loss of Simone Montgomerie in Darwin. Simone graduated from our Apprentice Academy and moved to the Northern Territory to further her career. Our thoughts go out to her family and friends at this sad time.

Acknowledgments

TRSA operates with a very small staff capably led by Jim Watters CEO, Nick Redin COO, and Johan Petzer Chairman of Stewards. We are all indebted to management and staff for their professional and dedicated approach to the task throughout the year.



Frances Nelson QC
Chairman

Happy Trails | 2012 Spring Stakes winner
Trainer: Paul Beshara | Jockey: Jason Holder
Photo courtesy of Atkins Photography

Chief Executive Officer's Report



Jim Watters Chief Executive Officer

CEO's Report

The 2013 financial year has been a very positive one for thoroughbred racing in South Australia. The year's financial highlights were:

- 5.3% increase in total revenue
- 4.78% increase in revenue from wagering on South Australian thoroughbred racing by both local and national customers
- \$530K increase in Capital Grants paid to Clubs
- Achieving record market share of 71.679%, between the three racing Codes in South Australia.

Key Financial Results

TRSA recorded a surplus of \$3,034,297 before Abnormal Items, for the 2013 financial year, which is a \$3,508,509 improvement on the previous year's Loss of \$474,212. Importantly the result achieved is \$3,287,264 ahead of the 2012/13 Budget as noted in the 2012 Annual Report, which had been for a Loss of \$252,967.

TRSA's total Revenue for 2012/13 was up by \$2.421M (+5.3%) on the prior year, with revenue from wagering up \$1.718M (+4.78%), despite what most would agree has continued to be a 'soft' wagering market. 2012/13 Expenditure fell by \$1.087M (-2.3%), in the main due to

\$1.266M less being paid out in gross prize-money. While prizemoney for individual races was maintained at the previous season's levels, several factors contributed to the lower gross prizemoney amount paid out, in particular:

- 4 race meetings were lost through winter due to adverse weather and track conditions
- There were 16 race meetings where the number of races held were less than for last year (and had been budgeted for in 2012/13)
- There were fewer races which were required to be divided.

Industry Payments (to Clubs) however were up \$1.065M (+17.5%), with virtually half of the increase the result of an increase of \$530K in Club Capital Grants. Capital Grants to Clubs totalled \$953,163 and Industry Payments excluding Capex, increased by \$535,865 (+9.48%). The TRSA Board has continued its commitment to the Club funding model implemented in 2009, which sees TRSA pay the bulk of Club raceday operational costs (vision, ambulance and a number of raceday staff etc including veterinarians, farriers and barrier attendants).

Although it has fallen once again as a percentage of TRSA's total Revenue, from 66.10% in 2011/12 to 57% in 2012/13, the TAB Product Fees paid to the South Australian racing industry by SA TAB continues to be our greatest source of revenue - by a wide margin. Although this is the first time in many years that, regardless of its percentage contribution to TRSA's total Revenue, the quantum received from SA TAB has decreased. However for 2012/13 the thoroughbred Code achieved a near record market share of 71.679%, compared to that for 2011/12 of 70.26%, which assisted in offsetting the effect on the thoroughbred Code, of the reduced SA TAB turnover pool.

A major contribution to TRSA's Revenue and its improved financial result, is the substantial net growth in the income received from interstate wagering operators, referred to in South Australia as Betting Operations Contribution and interstate as "racefields". The TRSA Board believes it has adopted a model for South Australia which maximises the return obtained from these wagering operators. For 2012/13 the net revenue received by way of Betting Operations Contributions was \$9.970M, an increase of \$4.535M (+83.5%) on the prior year. Since its introduction in 2008, this source of revenue has grown to now represent 20.5% of our total Revenue and has in fact grown significantly from 11.8% in 2011/12.

The \$2.5M from the SAJC by way of Contribution to Industry Prizemoney is in line with the current agreement in place with the SAJC. This is provided by way of a contribution to the industry from the financial return achieved by the Club on the investment of the net proceeds from the sale of Cheltenham Racecourse.

Revenue from the Wagering Tax rebate has increased annually as the percentage amount of the Wagering Tax payable by SA TAB to the State Government, now directed back to the racing industry, is increased. Effective from the commencement of the 2012/13 financial year, the full amount of the Wagering Tax is distributed to the industry.

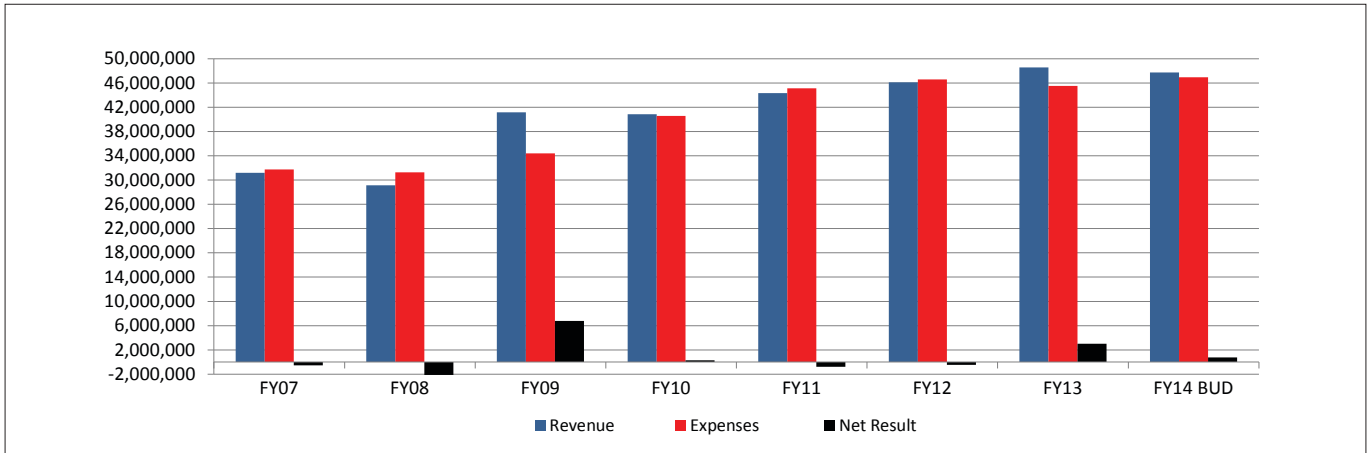
As reported on numerous previous occasions, the TRSA Board has maintained a strong focus on maximising the returns available to the industry's participants. As such, 71% of Thoroughbred Racing SA's 2012/13 Expenditure has been by way of Prizemoney distribution, while 66.53% of our Revenue was returned to participants by way of Prizemoney distribution.



Norsqui | 2013 Adelaide Casino Adelaide Cup winner
Trainer: Walter McShane | Jockey: Chris Symons
Photo courtesy of Atkins Photography

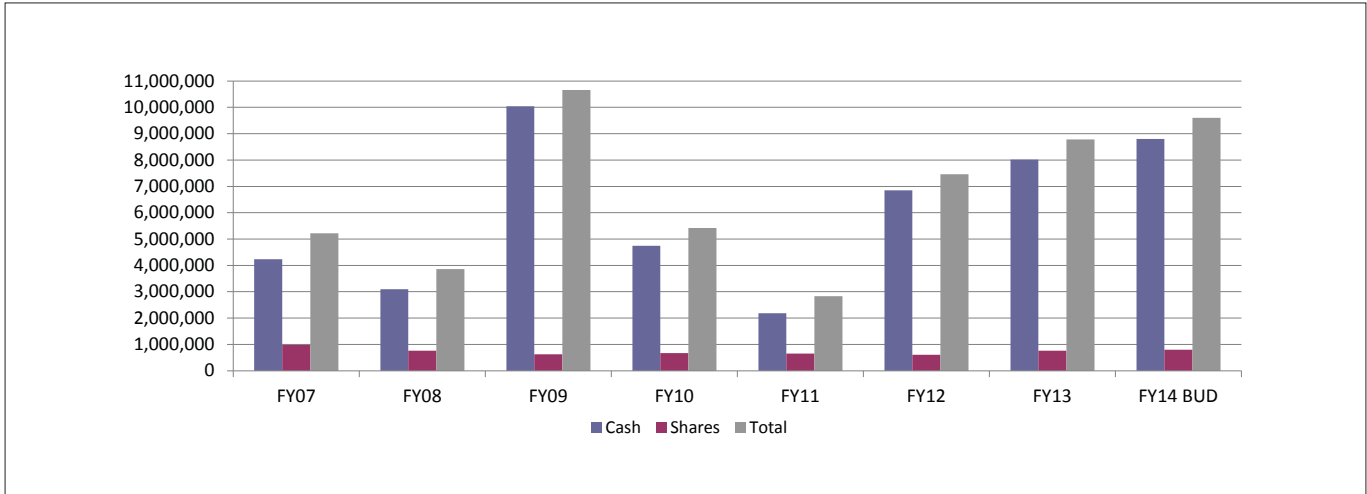
Overall Company Profitability and Reserves

The chart below shows the Company's operating results for the last seven financial years and FY14 Budget.



	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14 BUD
Revenue	31,187,859	29,116,726	41,163,197	40,833,921	44,335,300	46,118,543	48,540,042	47,707,476
Expenses	31,738,141	31,255,121	34,399,079	40,554,945	45,102,006	46,592,755	45,505,745	46,930,738
Net Result	(550,282)	(2,138,395)	6,764,118	278,976	(766,706)	(474,212)	3,034,297	776,738

The chart below shows the Company's cash reserves and value of share holdings for the last 7 financial years and FY14 Budget.



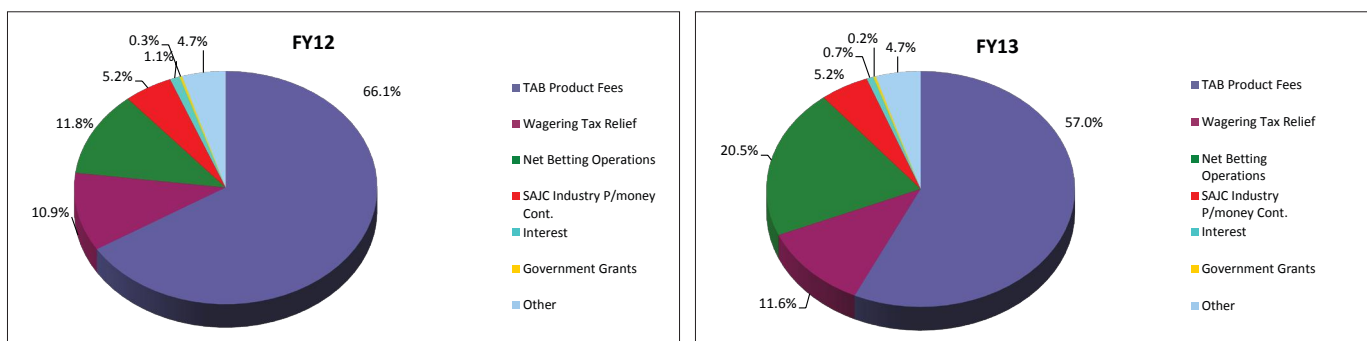
THOROUGHBRED RACING SA LIMITED: **Chief Executive Officer's Report**

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14 BUD
Cash	4,235,012	3,098,427	10,039,823	4,745,639	2,182,115	6,851,737	8,017,101	8,799,537
Shares	982,301	761,239	622,130	669,922	648,970	608,184	762,228	800,339
Total	5,217,313	3,859,666	10,661,953	5,415,561	2,831,085	7,459,921	8,779,329	9,599,877

The data for 2007/08 and 2008/09 does not include State Government Grant Funds received for the Gawler redevelopment, the balance of which at reporting date was \$6M and \$5.25M for the two years respectively, this amount was nil at 30 June 2010 and for subsequent years.

The change in cash in 2009/10 and 2010/11 was due to the increase in monies loaned to Clubs that are not treated as 'cash' for the above purposes. The improvement in the position in 2011/12 was due to the vast majority of the loans to Clubs being repaid in full during the 2011/12 financial year.

Revenue The Charts below show the proportion of revenue for each class of revenue for the last two financial years



	FY11	FY12	CHANGE
TAB Product Fees	30,501,112	27,683,675	(2,817,437)
Wagering Tax Relief	5,019,896	5,615,888	595,992
Net Betting Operations	5,434,758	9,970,118	4,535,360
SAJC Industry P/money Cont.	2,400,000	2,500,000	100,000
Interest	485,892	354,845	(131,047)
Government Grants	120,000	120,000	-
Other	2,156,885	2,295,516	138,631
TOTAL	46,118,543	48,540,042	2,421,499

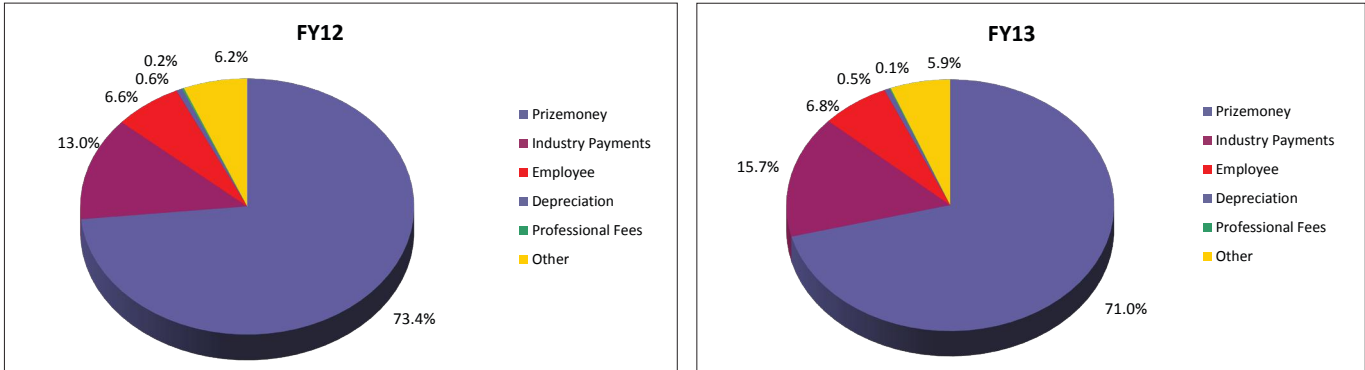
2012/13 Net Betting Operations Contribution (BOC) is after deductions of \$5.8M (2011/12 \$6.8M) relating to charges incurred by SA TAB from other States' Racefields Legislation (which is the equivalent to South Australia's BOC). Under the South Australian Racing Distribution Agreement, which is the Agreement between SA TAB and the three Codes following the sale of the SA TAB, SA TAB is entitled to recover from the Codes the cost to obtain Interstate racing product.

Other Revenue includes; Screening and International Rights, SABOIS registration fees, industry participants' registration fees, calendar advertising and subscriptions (The Races), together with other sundry revenue items.

THOROUGHBRED RACING SA LIMITED: **Chief Executive Officer's Report**

Expenses

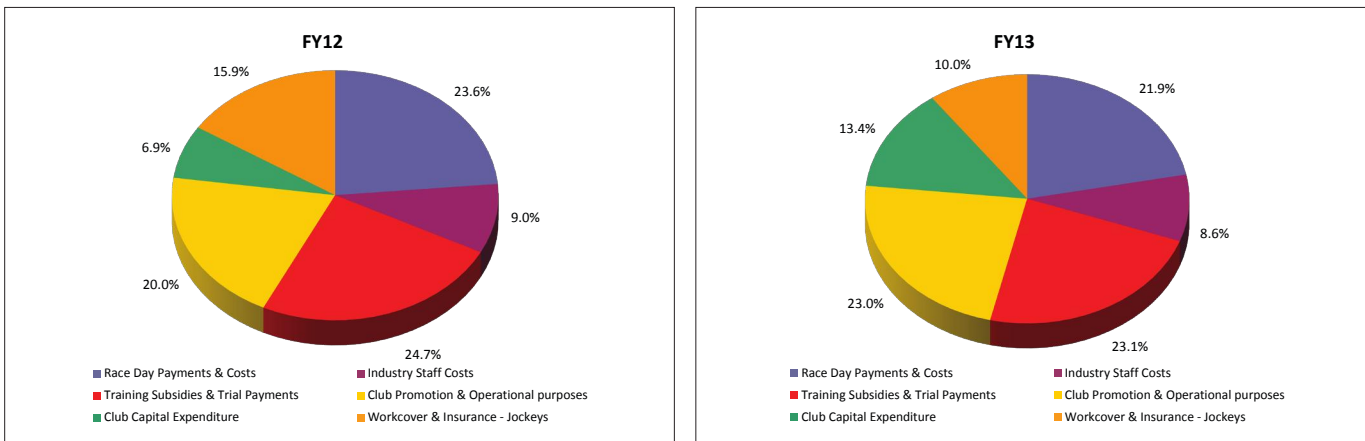
The Charts below show the proportion of expenses for each department for the last two financial years



	FY12		FY13		CHANGE	
Prizemoney	34,196,774	73.4%	32,294,845	71.0%	(1,901,929)	-5.6%
Industry Payments	6,073,097	13.0%	7,138,262	15.7%	1,065,165	17.5%
Employee	3,069,811	6.6%	3,073,645	6.8%	3,834	0.1%
Depreciation	275,761	0.6%	247,872	0.5%	(27,889)	-10.1%
Professional Fees	86,634	0.2%	51,593	0.1%	(35,041)	-40.4%
Other	2,890,678	6.2%	2,699,528	5.9%	(191,150)	-6.6%
TOTAL	46,592,755	100.0%	45,505,745	100.0%	(1,087,010)	-2.3%

Industry Payments Breakdown

Industry Payments include Training Grants & Raceday Usage payments to Clubs of \$1.65m, Marketing Grants to Clubs of \$1.64m, Jockeys Workcover & Insurance \$0.68m, Raceday Payments & Costs \$1.56m, Club Capital Grants \$0.95m, Industry Staff \$0.62m



	FY12		FY13		CHANGE	
Race Day Payments & Costs	1,430,957	23.6%	1,562,038	21.9%	131,081	9.2%
Industry Staff Costs	545,248	9.0%	617,208	8.6%	71,960	13.2%
Training Subsidies & Trial Payments	1,499,000	24.7%	1,651,066	23.1%	152,066	10.1%
Club Promotion & Operational purposes	1,215,827	20.0%	1,642,427	23.0%	426,600	35.1%
Club Capital Expenditure	417,279	6.9%	953,163	13.4%	535,884	128.4%
Workcover & Insurance - Jockeys	964,785	15.9%	712,360	10.0%	(252,425)	-26.2%
TOTAL	6,073,097	100.0%	7,138,262	100.0%	1,065,165	17.5%



Man of Class | Great Eastern Steeplechase winner
Trainer: Ciaran Maher | Jockey: Steven Pateman
Photo courtesy of Fuller Images

Plastic Running Rails

In 2012 the TRSA Board received the report and recommendations back from the Plastic Running Rails Working Party it had established to investigate all aspects of the possible introduction of plastic running rails in South Australia. The Board endorsed the recommendations made and a staged introduction of plastic running rails in South Australia was agreed. With the better than budgeted financial result achieved in 2012/13 the Board resolved to commence the roll-out immediately. \$415K was therefore expended in 2012/13 with the introduction of plastic running rails at Morphetville (both tracks), Gawler and Murray Bridge. A further \$200K has been committed in the 2013/14 Budget to install plastic running rails at Balaklava and Strathalbyn, with installation to follow at Pt Lincoln and Mt Gambier in 2014/15.

Prizemoney and Race Classifications

On top of the increased Club Industry Payments, (which included \$415K towards Plastic Running Rails in 2012/13 from the total project cost of \$845K) and a one-off operational payment to Clubs of \$416K, off the back of our significantly above budget financial result for 2012/13, the TRSA Board also announced prizemoney increases for 2013/14. Prizemoney for 2013/14 will rise by \$652,000 over that paid in 2012/13 with increases to be applied at both Metropolitan and Provincial race meetings. The prizemoney increases will be to standard Metropolitan races and "above Maiden" Provincial races, rather than for top-end races.

Prizemoney across the 350 plus non Maiden races will increase by 10% to \$11,000. The

increased prizemoney at Metropolitan race meetings has been done in conjunction with changes to various race Classifications and the introduction of more Benchmark events. The 0-75 events become 0-78 with prizemoney increasing to \$30,000 (from \$25,000). 68+ and 0-94 Rating races will be replaced with Benchmark 90 events with prizemoney of \$40,000 compared to the current \$34,000 for the 0-94 races.

Resources Provided for Clubs

TRSA has once again provided significant resources in various areas to assist South Australian racing Clubs, including WH&S, Marketing, Finance and Accounting and Liquor Licensing requirements and compliance. TRSA's Marketing team has built strong partnerships with Clubs to promote their key event days, as well as further enhancing the industry brand and the promotion of racing generally. However it is in the area of WH&S where TRSA will potentially be required to provide the greatest assistance with appropriate resource back-up for Clubs.

Our Industry Operations Manager has completed the task of workshops with Clubs throughout the State to assist with their WH&S compliance issues. TRSA has now introduced a detailed Health & Safety Incident Reporting process to assist Clubs and participants, which should enhance the safety aspect of participants' work environment. A Work Health & Safety Checklist for all South Australian thoroughbred racing Clubs has been developed, which lead to a requirement on all Clubs to conduct site assessments of their facilities, working with TRSA Management. TRSA Management is now

undertaking a full facilities audit of all race tracks in the State to finalise this aspect.

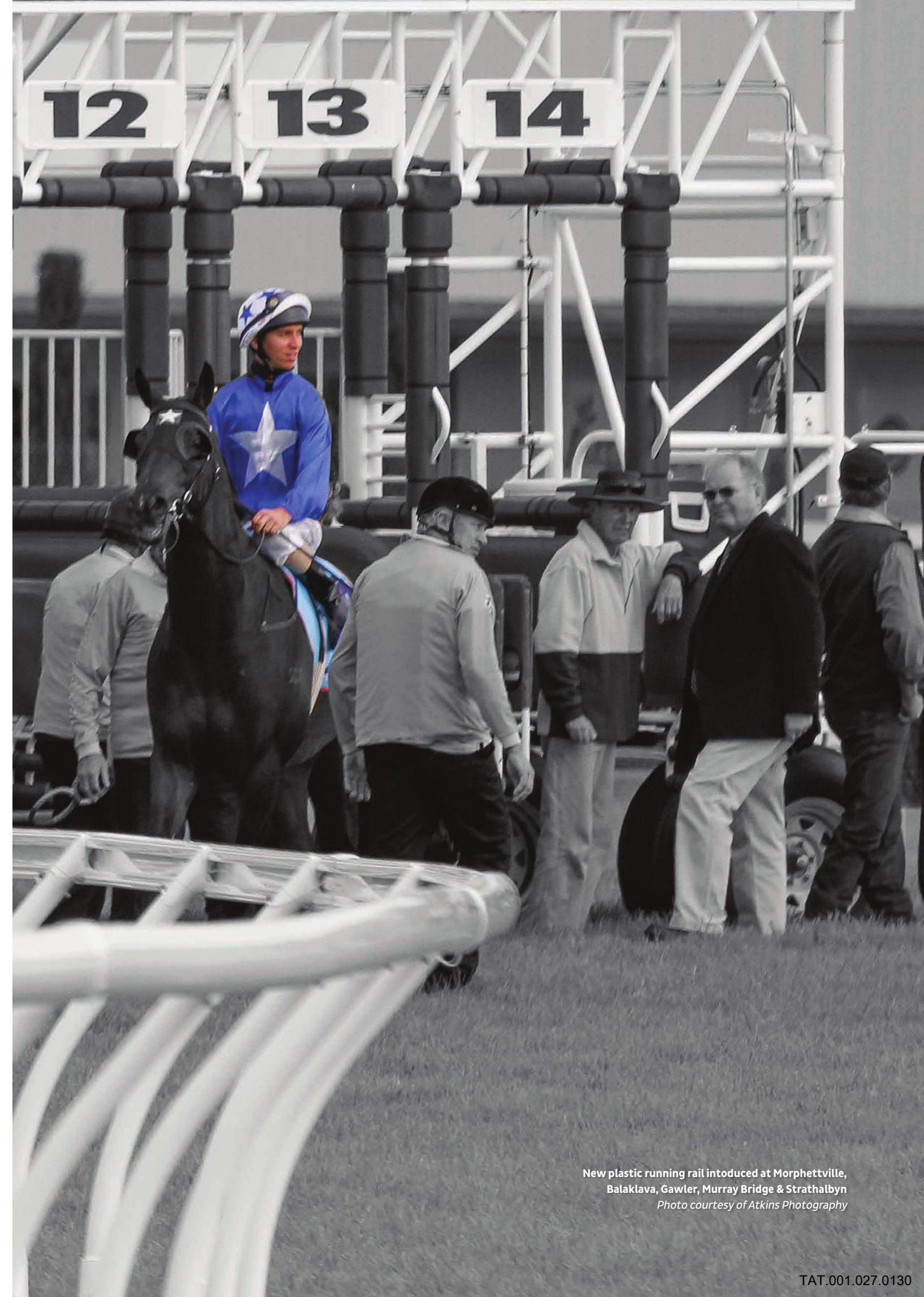
Adelaide Autumn Racing Carnival

2013 saw the second year of South Australia's newly developed and defined racing Carnival in late April and early May. While we were not as fortunate as with the inaugural Carnival where Black Caviar graced us with her presence on the track on both the opening and closing days of the Carnival, we continue to receive positive feedback on the establishment of the Adelaide Autumn Carnival which provides the South Australian racing industry with a window of opportunity to be the focus of racing in Australia, positioned between Melbourne's Festival of Racing, Sydney's Autumn Carnival and the Queensland Winter Carnival.

In conjunction with the SAJC we have established a Carnival over three consecutive Saturdays with a total of \$3.5M in prizemoney available, with four Group One events, including the Group One Centrebet SA Derby and The Distinctive Homes Goodwood. The challenge is to now "kick on" with the Carnival to gain greater participation both on and off the track, and to reinforce our place on the Australian racing calendar.

Adelaide Cup

As reported in previous Annual Reports, the assessment and analysis undertaken by TRSA with regards the placement of the Adelaide Casino Adelaide Cup, lead to a submission, in fact now three submissions, to the State Government seeking to have the Adelaide Cup public holiday moved from March back to May. While some have



New plastic running rail introduced at Morphettville,
Balaklava, Gawler, Murray Bridge & Strathalbyn
Photo courtesy of Atkins Photography

suggested a move of the Cup back to May regardless of the public holiday placement, the TRSA Board is strongly of the view that the link between the Adelaide Cup and the public holiday should be maintained. As reported in the 2012 Annual Report a Review commissioned by the State Premier contained a recommendation that the Queen's Birthday public holiday be moved forward from June to May to accommodate the placement of the Adelaide Cup. TRSA continues to pursue this latest option and the move of the Cup to May, and on numerous occasions the Opposition State Liberal Party has advised that it would provide a public holiday option for the Adelaide Cup in May if it were to succeed at the next State election.

South Australian Thoroughbred Racing Industry Awards

A full list of the winners of the various South Australian thoroughbred racing industry Awards for 2012/13 is included at the conclusion of my report, and I once again congratulate each of the Award winners. The competition for the South Australian Champion Racehorse of the Year Award was the toughest in my time in South Australia, with Alcopop edging out Happy Trails and Miracles of Life, with his excellent third on the international stage in the Hong Kong Cup on top of his great win in the Group One MacKinnon Stakes undoubtedly a telling factor. South Australian trainers had an excellent Melbourne Cup week, taking out Group One races on the first and last days of the Carnival, with Alcopop in the MacKinnon Stakes and Happy Trails in the Emirates Stakes. But who could forget the fairy tale that was the Miracles of Life story, with Miracles of Life, Lauren Stojakovic and

Daniel Clarcken triumphing in the Group One Blue Diamond Stakes. Then to "*cap the season off*" we had Jamie Kah, a 16 year old apprentice in her first full season taking out the Metropolitan Jockeys' Premiership. What great achievements.

There were many more outstanding achievements by several of South Australia's racing participants achieving personal career highlights and keeping South Australian thoroughbred racing to the forefront. To each of you – Congratulations.

Conclusion

Racing administrators in all States and jurisdictions would acknowledge that the racing industry faces challenging times, both in terms of its revenue and expenses. There continues to be pressure on the industry's traditional revenue streams while rising operational costs and compliance with WH&S requirements in particular, are having a major adverse impact on our "bottom line". Wagering continues to be the major revenue source for the racing industry, whether it be generated through our own TAB or from interstate operators, and this is an ever evolving and changing market.

While TRSA achieved a 5.3% growth in its revenue for 2012/13, with the generally weaker market and wagering conditions, we cannot anticipate the same increases and growth as we have achieved in recent years. However the platform we have established over the past four years should assist us and, provide participants with a level of confidence in thoroughbred racing's future in South Australia. South Australia continues to provide racing which is attractive to wagering operators both intra

and interstate as well as internationally, and the continued successful implementation of a charging model as is currently in place for wagering on our racing is vital.

However for the South Australian racing industry to achieve and maintain significant growth, as is necessary in the face of growing competition from the interstate racing industries, will require meaningful support from the State Government. We consider that what we as an industry are seeking from Government is no more than is justified when considering the contribution racing makes to the community and the State's economy.

Finally, I thank all of the staff at TRSA for their continued efforts and contribution towards the growth, integrity and success of thoroughbred racing in our State. They work as a team and we are dedicated to enhancing thoroughbred racing in South Australia, and implementing the policies of the Board.

Thank you also to all racing Clubs and participants in the South Australian racing industry for your contribution to racing at all levels. Ultimately it is your industry.



Jim Watters
Chief Executive Officer

Chris Symons | Adelaide Casino Adelaide Cup
 winning jockey aboard Norsqui
 Photo courtesy of Atkins Photography



SOUTH AUSTRALIAN THOROUGHBRED RACING INDUSTRY AWARDS 2012-13

AWARD

- E.J. Mooney Medal for South Australian Jumps Jockey of the Year
- South Australian Jumps Trainer of the Year
- TattsBet South Australian Provincial and Country Apprentice of the Year
- TattsBet Metropolitan Apprentice of the Year
- Leon Macdonald Award for South Australian Apprentice of the Year
- Evright.com South Australian Most Consistent Racehorse

- Most Outstanding Achievement by an Individual
- Most Outstanding Achievement Award by a Club
- TAFE SA South Australian Provincial and Country Jockey of the Year
- South Australian Jockey of the Year
- South Australian Provincial and Country Trainer of the Year
- South Australian Metropolitan Trainer of the Year
- Media - Best Racing Story
- Media - Best Racing Picture
- Glennon-Johnson Award for South Australian Metropolitan Jockey of the Year
- CS Hayes Award for South Australian Trainer of the Year
- 2012/13 John Letts Medal
- Festival Hire South Australian Champion Racehorse of the Year

WINNER

- Steven Pateman
- Eric Musgrove
- Jamie Kah
- Jamie Kah
- Jamie Kah
- Esprit De Bullet
and Almighty Bullet
- Terry McAuliffe
- Penola Racing Club
- Justin Potter
- Dominic Tourneur
- David Jolly
- Tony McEvoy
- Craig Cook
- Greg Irvine
- Jamie Kah
- Tony McEvoy
- Jamie Kah
- Alcopop

HALL OF FAME

- Horse
- Horse

- Aurie's Star
- Leilani

Chairman Of Stewards' Report



JC Pretzer Chairman of Stewards

Like most racing seasons the 2012/13 season provided its fair share of challenges to which the Stewards' department responded in a positive manner. The department continues to provide integrity services to the Industry through the application of the Rules of Racing and Policies. Safety and welfare matters remain an important aspect of the department's functions. The department performed their duties in a diligent, professional and dedicated manner.

Stewards' Department - Functions

The functions performed by the department included the provision of integrity services on race day, at trials, jump-outs and track work. The department also conducted inquiries, investigations, managed sampling strategies, monitored wagering activities and conducted stable inspections.

The department provided licensing and veterinary services, acted in the capacity of Deputy Registrar of Racehorses and managed the functions of the Apprentice Academy and the Jumps Review Panel.

Stewards' Department - Personnel

Long serving Chairman of Stewards, Graham Loch, resigned from the Panel in February 2013 to take up a position as Director of Racing with the Macau Racing Club. Following Graham's departure I was appointed to the position of Chairman of Stewards and subsequently Matt Santoro was appointed Deputy Chairman of Stewards.

Former Steward, Peter Matthews, who provided valuable assistance to the Department on a part time basis, completed his tenure in July.

Significant developments

The industry was extremely fortunate to see the introduction of plastic running rail at a number of Race tracks during the latter part of the season. This initiative, supported by Stewards, and carefully managed by the Board and Management of TRSA, is a positive step and is bound to provide benefits to participants.

Stewards also considered the suitability of the use of plastic marker pegs as a "guide rail" during official trials. Following review, a decision was taken to discontinue this practice.

The introduction of "approval to race" jump-outs in late 2012 appears to have paid dividends with only twenty (87 in 2011/12) warnings being issued and forty-four (39 in 2011/12) horses being suspended for barrier behaviour. This reflects a 77% decrease and a 13% increase respectively.

Licensing

The licensing functions were performed with dedication and professionalism by various staff members. The criteria for all licences, which was reviewed during the previous year, were implemented in the assessments of all applications.

During the year the Stewards' Department continued to visit the premises of licensed Trainers. During the course of these visits Stewards performed functions such as identification of horses in the stable, assessing feed supplies, scrutinising and examination of treatment books, as well as identifying veterinary products, in particular products which are not prescribed or labelled in accordance with legislation.

During the 2012/13 Racing Season, the following licences were processed by the Department –

	2012/13	2011/12
Trainers	330	338
Jockeys	40	35
Apprentices	15	17
Interstate Jockeys	85	82
Interstate Apprentices	28	31
Stablehands	505	447
Stablehand / Trackwork Riders	178	173
Total	1181	1133

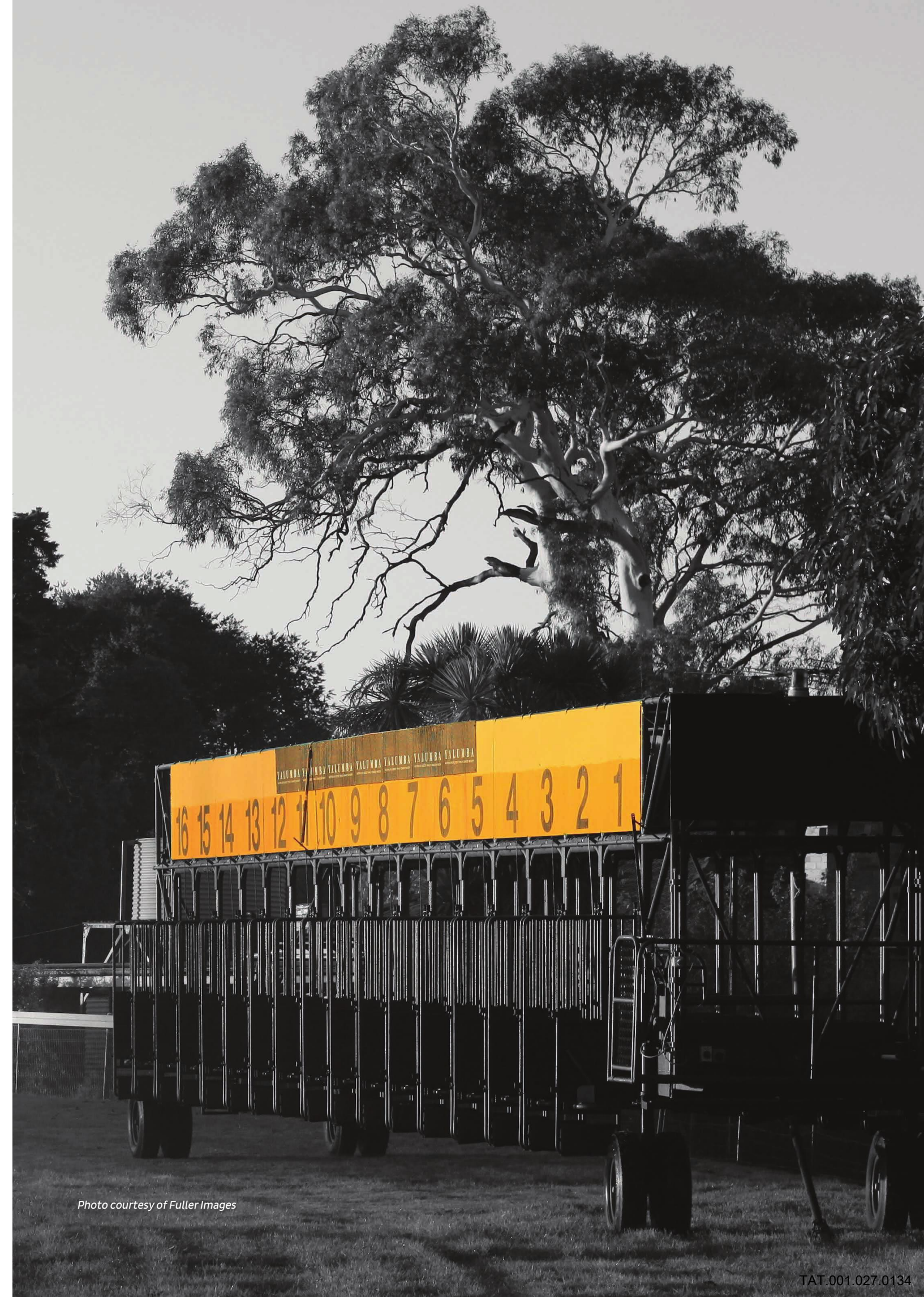


Photo courtesy of Fuller Images

Veterinary Services

The Industry Veterinary Surgeon, Dr. Peter Horridge, continues to provide and supervise veterinary services at metropolitan and provincial racetracks. Dr Horridge's professional approach, knowledge and manner is an asset to the department. The Industry also remains indebted to those Veterinary Surgeons who regularly complement Dr. Horridge in the metropolitan area, in particular Dr. Agnew and Dr. Lewis from the Morphettville Equine Clinic, Dr. Bowden and Dr. Haensel and those who service the various country race meetings.

Dr. Horridge represents Thoroughbred Racing SA at meetings of the Veterinary and Analysts Committee (VAC) and the Department of Primary Industries and Resources SA (PIRSA), as well as Biosecurity SA. He also provides expert advice at Stewards' inquiries and Appeal hearings as well as advice to the Industry on veterinary and equine welfare matters.

The following horse samples were tested during the year –

	2012/13	2011/12
Post-race urine samples	1068	1050
Pre-race blood samples (TCO ₂)	1004	1080
Post-race blood samples (TCO ₂)	5	0
Post-trial urine samples	18	24
Non-race day samples	39	5
No. of positive tests	3	2
Total	2137	2161

Of the 3 positive samples recorded during the racing season, 2 were in races, which resulted in disqualification of both horses. The remaining positive related to a horse participating in an official trial. Two of the positives recorded were for therapeutic substances and the third was for TCO₂. Testing strategies continue to be a critical element in providing a level playing field for all competitors, protecting the health and welfare of horses, the safety of riders and maintaining the confidence of the betting public and the broader community in the integrity of the South Australian thoroughbred racing industry.

Towards the end of the racing season TRSA acquired a portable "i-Stat" testing device which is designed to test for levels of TCO₂. The device will continue to be used to further boost the Department's capabilities in the area of sampling.

The practice, which was first introduced in season 2011/12, requiring horses accepting for certain feature races, including all Group 1 events, to be present on course at least three hours prior to racing was continued. In addition, pre-race blood samples for TCO₂ testing were taken from horses pre race day and again repeated on race day. In selected races, all runners were subjected to testing for TCO₂.

During the year 16 runners recorded elevated, but not prohibited, levels, resulting in Stewards issuing 11 Trainers with notification that analysis of a pre-race sample had reported an elevated TCO₂ result.

26 horses bled from both nostrils and incurred sanctions under Rule - ARR.53A. This reflects a reduction of 16% compared with the previous season. Of the 26 horses that bled, 3 recorded

their second episode and are now no longer eligible to race.

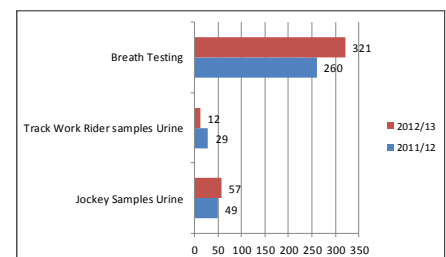
Medical Panel

The TRSA Medical Panel plays an important role in providing advice and services to the Steward's department. The panel originally comprised only one member, Dr. Terry Hodgson, but was extended during the season with the appointment of Dr. Andrew Potter, Club Doctor with the Adelaide Crows Football Club. Dr. Potter brings a wealth of experience in sports injury management and concussion management. Dr. Potter performs and conducts the baseline concussion tests for Jockeys and Apprentice Jockeys which was recently introduced as a measure to further enhance the safe return of riders after injury.

Disciplinary

During the racing season, 44 Careless Riding charges were laid, which resulted in a suspension of licence. This number represents a 2% increase on the previous year. In addition, Stewards conducted 18 significant investigations /inquiries into breaches of the Rules.

The following human samples were tested during the year –



The results recorded 5 positive urine tests and 1 positive breath test during the 2011/12 season while the 2012/13 season recorded no positive results.



Maybe Discreet | 2013 Schweppes Oaks winner
Trainer: Phillip Stokes | Jockey: Dominic Tourneur
Photo courtesy of Atkins Photography

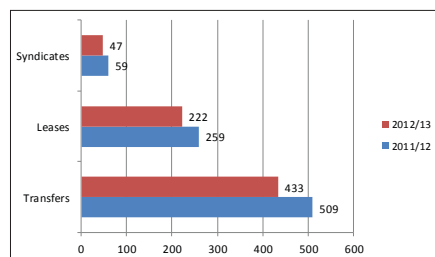
Deputy Registrar

Under the Rules of Racing, Racing Information Services Australia (RISA) has the status of Registrar of Racehorses. Thoroughbred Racing SA (TRSA) is a shareholder of RISA, which processes all new horse registrations. In addition TRSA has the role of Lead Regulator under legislation, effectively acting as watchdog in the State of South Australia for the Australian Securities and Investments Commission (ASIC).

TRSA acts as Deputy Registrar for South Australian registration functions, which include Transfers of Ownership, Leases, Syndications and the approval of Promoters.

During the year the Department processed Transfers, Leases and Syndicates, which were scrutinised to ensure compliance.

Registrations, transfers, leases and syndicates processed during the year –



Apprentice Academy

TRSA again supported the Annual National Apprentice Jockey Challenge with a heat conducted at Gawler. The final leg of the Challenge was conducted at Alice Springs in the Northern Territory.

Local Apprentice Jackson Matthews, riding WISE AND HAPPY for Trainer Brian Mueller, maintained the local Industry's good record in winning the South Australian leg of the

Series at Gawler. South Australia again proved very competitive, finishing in equal third place, only four points behind the winner – NSW. It should be noted that this was the fifth year of the series and South Australia has won the series on three occasions.

Krystal Bishop's efforts during the year were well rewarded when she was named Dux of the Apprentice Academy at the Annual Apprentice Awards Evening on 26 November 2012.

The Academy had 22 apprentices enrolled with 3 having been granted permission to ride in races for the first time in the relevant racing season. Attendance at the Academy on Tuesdays and at additional riding skills sessions conducted on Fridays remains mandatory.

The partnership with TafeSA Morphettville Horse Skills Centre, our training provider delivering the Certificate IV in Racing, and the training facility at Morphettville, continues to benefit the Industry.

The Academy liaised with Industry bodies including Race Training SA, TafeSA and the PRA National Training Committee, and provided a conduit for schools and interested groups seeking information regarding career opportunities.

I should also mention that it is a testament to the Academy and to Jamie Kah personally, that an Apprentice Jockey managed to win the Jockey Premiership in their first year of riding. We congratulate Jamie on her achievement.

The Apprentice Trust Fund continued to be managed within the Department.

Jumps Review Panel

The Jumps Review Panel (JRP) continues to be co-ordinated in a positive manner by the department.

Members of the JRP were present at all race meetings, which included jumping events, and all races were reviewed. Regular consultation occurred with Racing Victoria Limited's Jumps Review Panel to ensure that consistency existed between States. The contribution of the panel should be commended.

Liaisons and Contacts

The department continued to liaise with a number of bodies and/or stakeholders on relevant matters, including various State and National sector group bodies, and the Australian Racing Board through the National Chairmen of Stewards Committee and the Veterinary and Analysts Committee.

Appreciation

I would like to express my appreciation to the department's staff, in particular Liz Tosetti - Personal Assistant, and Matt Santoro - Deputy Chairman of Stewards, for their professional and dedicated service.

JC Pretzer
Chairman of Stewards



Miracles Of Life | Trainer: Dan Clarken | Jockey: Lauren Stojakovic
Photo courtesy of Atkins Photography



THOROUGHBRED RACING SA LIMITED

FINANCIAL REPORT 2013

Contents

THOROUGHBRED RACING S.A. LIMITED ABN 25 094 475 939

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Jamie Kah | 2012-13 John Letts Medal winner
& South Australian Metropolitan Jockey of the Year
Photo courtesy of Atkins Photography

Directors' Report

The Directors present their report together with the financial report of Thoroughbred Racing SA Limited ("the Company") for the year ended 30th June 2013 and the Auditor's Report thereon.

Directors

The directors of the Company during the financial year were:

NAME AND QUALIFICATIONS	EXPERIENCE AND SPECIAL RESPONSIBILITIES
<p>Ms Eleanor Frances Nelson QC LLB Chair</p>	<p>Frances is a barrister.</p> <p>She has considerable experience with the racing industry in SA and has conducted a number of inquiries into the Industry on behalf of Government and served on the Oakbank Committee for twenty years.</p> <p>She is the Chair of the Parole Board of South Australia and holds board positions on a number of privately owned companies.</p> <p>Frances is a member of the South Australian Jockey Club Inc and the Oakbank Racing Club Inc.</p> <p>Chairperson - Race Dates Committee Chairperson - Jumps Committee Member - Finance Committee</p>
<p>Mr David Rasheed BA (Acc), CA, CTA</p>	<p>David is a chartered accountant and is Chairman of Partners of Tilbrook Rasheed Chartered Accountants.</p> <p>He is involved in the industry as an owner and breeder and has served on the Board of the South Australian Jockey Club. He holds board positions on a number of privately owned companies.</p> <p>David is a member of the South Australian Jockey Club Inc.</p> <p>Chairman - Finance Committee Member - Race Dates Committee</p>
<p>Mr Simon Ward LLB</p>	<p>Simon is a solicitor and Partner of Piper Alderman.</p> <p>He regularly advises on the Rules of Racing and legislation affecting the industry.</p> <p>He is a Board member of YMCA INEA and the Legal Assistance Fund of the Law Society of SA.</p> <p>Simon is a member of the Oakbank Racing Club Inc.</p> <p>Member - Race Dates Committee</p>



Eclair Surprise | 2012 Carlton Draught Murray Bridge Gold Cup winner
Trainer: Phillip Stokes | Jockey: Dominic Tourneur
Photo courtesy of Atkins Photography

Directors continued:

<p>Mr David Cross BEC, CA, GAICD</p>	<p>David has a background in economics and accountancy. His passion for thoroughbred racing developed through working for bookmakers whilst studying at university. He is currently Director of Operations Asia Pacific for Specsavers, and holds non-executive roles with RAA Insurance and Thai Optical Group Ltd along with the position of Vice President of the RAA of SA Inc. David is a member of the South Australian Jockey Club Inc. Chairman – Marketing Committee Member – Finance Committee</p>
<p>Mr Brian Foster</p>	<p>Brian is a retired businessman. He has a long history of involvement in the thoroughbred racing industry of South Australia and has held various positions on the South Australian Racing Clubs Council and the Murray Bridge Racing Club. He is involved in the industry as an owner and breeder. Brian is a member of the South Australian Jockey Club Inc and the Murray Bridge Racing Club Inc.</p>
<p>Mr Ken Smith AM</p>	<p>Ken owns and operates a private business. He is a former Deputy Chairman of the South Australian Jockey Club and has a lifelong interest in the thoroughbred racing industry as both an owner and breeder. He holds and has held numerous positions on boards of both government and private enterprises. Ken is a member of the South Australian Jockey Club Inc, Oakbank Racing Club Inc, Murray Bridge Racing Club Inc and the Strathalbyn Racing Club Inc. Member – Race Dates Committee Member – Jumps Committee</p>
<p>Mr Chris Atkins FCA</p>	<p>Chris is a chartered accountant and is Managing Partner of Australian Super Fund Audits He has a long history as an owner and breeder in the thoroughbred racing industry in South Australia & Victoria. Chris is a member of the South Australian Jockey Club Inc. He is Chairman of Down Syndrome SA and holds Board positions on a number of private Companies. Member – Finance Committee</p>

Company Secretary

The secretary of the Company at the end of the financial year was:

NAME AND QUALIFICATIONS	EXPERIENCE AND SPECIAL RESPONSIBILITIES
<p>Mr Nicholas Redin BSc (Acc)</p>	<p>Nick is the Chief Operating Officer of Thoroughbred Racing SA Ltd</p>



Lonhspresso | 2013 Centrebet Classic winner
Trainer: Darren Weir | Jockey: Ben Melham
Photo courtesy of Atkins Photography

Principal Activities

The Company is a company limited by guarantee.

The Company is the Controlling Authority for thoroughbred racing in South Australia. The principal activities of the Company during the course of the financial year were to:

- (a) Regulate and control all aspects of thoroughbred horse racing including licensing, ownership, employment and participation;
- (b) Employ the personnel required to conduct race meetings and horse races;
- (c) Ensure the integrity of thoroughbred horse racing;
- (d) Effectively market and manage the South Australian Thoroughbred Racing brand; and
- (e) Prepare and implement plans and strategies for the management of the financial affairs of the thoroughbred horse racing code and for the development, promotion and marketing of the code in the state of South Australia.

GENERAL OPERATIONS

The general operations of the company are to:

- (a) Receive distributions from SA TAB Pty Ltd from wagering on thoroughbreds in South Australia;
- (b) Negotiate arrangements with and receive payments from both intrastate and interstate wagering operators, other than the SA TAB Pty Ltd, that take bets on thoroughbred races conducted in this State;
- (c) Employ the personnel required to regulate the industry, plan and programme race meetings, conduct race meetings and remunerate participants in thoroughbred horse racing;

- (d) Determine the allocation of industry funding from revenue received;
- (e) Make payments of prize money to owners, trainers and jockeys;
- (f) Market South Australian thoroughbred racing both inter and intra state;
- (g) Provide financial support and management assistance to racing clubs throughout South Australia;
- (h) Negotiate vision rights with broadcasters for thoroughbred races;
- (i) Represent the South Australian industry's relationship with the Australian Racing Board Ltd and other controlling authorities throughout Australia;
- (j) Manage the industry's relationship with the State Government, primarily through the Minister for Recreation and Sport.
- (k) Conduct the operations of the South Australian Apprentice Jockeys Academy
- (l) Manage and administer the work cover claims for all injured licensed jockeys and apprentices

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

Review and Results of Operations

REVIEW OF OPERATIONS

The company's operating surplus for the year was \$3,034,297.

DIVIDENDS

The Company's constitution prohibits the payment of dividends

STATE OF AFFAIRS

In the opinion of the Directors, no significant changes in the company's State of Affairs occurred during the year.

EVENTS SUBSEQUENT TO BALANCE DATE

In the opinion of the Directors, no matters or circumstances have arisen since the end of the financial year which 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 financial years.

LIKELY DEVELOPMENTS

The Company will continue to strive to improve the viability of thoroughbred racing in South Australia and the returns to industry participants. Whilst this will not alter the direction of the company's activities, particular initiatives that are being pursued include the following:

- Development of a Racing Policy for government post March 2014 State Election including lobbying for the reinstatement of a Racing Minister
- Continued development and growth of the Adelaide Racing Carnival during April and the first two weeks of May, aimed at lifting the profile of South Australian racing on both the national and international scene.
- Working with the State Government and the SAJC to ensure there is a public holiday in May to which the Adelaide Cup can be moved in 2015.
- The completion of the development of the new Murray Bridge racing venue which should result in a racetrack that has greater appeal to the wagering public with a consequential benefit to the industry from increased wagering revenue.
- Continued monitoring of race programs aimed at growing starter numbers and driving an increase in wagering revenue.

- Develop initiatives aimed at improving both the race fields and attendances at Metropolitan, Provincial and Country race meetings.
- Continue to work with Clubs to ensure there is efficiency across the administration function including the further provision of financial management and reporting.
- Continue to work with Clubs to identify opportunities for aggregated purchasing to lower operating costs for Clubs.



Hasta La Shamer | 2013 SA Provincial Super Series winner
 Trainer: Susan Murphy | Jockey: Clare Lindop
 Photo courtesy of Atkins Photography

Directors' Meetings

The numbers of meetings of the Board and Board Committees and the attendances of each Director are set out in the following table:

DIRECTOR	BOARD	FINANCE	MARKETING	RACE DATES	JUMPS
Ms E Nelson QC	11	2		2	2
Mr D Rasheed	11	2		2	
Mr S Ward	11			2	
Mr D Cross	10	2	2		
Mr B Foster	9				
Mr K Smith AM	10				2
Mr Chris Atkins	10	1			
Total Meetings Held	11	2	2	2	2

The Board has also established a number of Steering Committees in respect of significant projects being undertaken by race clubs.

- Messrs Smith and Foster work on a committee with members of the Murray Bridge Racing Club Inc. on the project to develop a new course and associated facilities at Murray Bridge.
- Ms Nelson QC is the Thoroughbred Racing SA Ltd nominated Director for Gifford Hill Pty Ltd, the joint venture company formed for the wider Murray Bridge Development.

Other Matters

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is set out on page 8 and forms part of the directors' report for the financial year ended 30th June 2013.

INSURANCE OF OFFICERS

The Company has paid insurance premiums in respect of directors' and officers' liability insurance contracts for current directors and officers.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability contract as such disclosure is prohibited under the terms of the contract.

Dated at Adelaide this 27th day of September 2013.

Signed in accordance with a resolution of directors:

F Nelson QC

Director

Auditor's Independence Declaration



**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF THOROUGHBRED RACING SA LIMITED**

I declare that to the best of my knowledge and belief, during the year ended 30 June 2013, there have been:

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

William Buck

William Buck
ABN: 38 280 203 274

G. W. Martinella

G.W. Martinella
Partner

Dated this 27th day of September, 2013.

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

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Praxity
ASSOCIATE
GLOBAL ALLIANCE OF
INDEPENDENT FIRMS

STRATEGIC THINKING | TAILORED ADVICE | INTEGRATED SOLUTIONS

CHARTERED ACCOUNTANTS & ADVISORS

The accompanying notes form part of these financial statements.

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2013.

	Note	30 JUNE 2013 \$	30 JUNE 2012 \$
Revenue	2	45,652,935	43,082,668
Other income	3	2,500,000	2,520,000
Financial income	4	387,107	515,875
Prizemoney & Unplaced Subsidies		(30,818,145)	(32,084,624)
SABOIS payments		(1,476,700)	(2,112,150)
Industry payments	5(a)	(7,138,262)	(6,073,097)
Employee expenses		(3,073,645)	(3,069,811)
Depreciation expense		(247,872)	(275,761)
Legal & Professional Fees		(51,593)	(86,634)
Other expenses	5(b)	(2,699,528)	(2,890,678)
Net Surplus/Loss from operating activities		3,034,297	(474,212)
Loan Impairment - Mt Gambier Racing Club Inc.		-	(300,000)
Net Surplus/ (Loss) for the year		3,034,297	(774,212)
Other Comprehensive Income:			
Net fair value gain /(loss) on re-measurement of investments in equity securities available-for-sale		154,044	(40,786)
Total Comprehensive Income for the year		3,188,341	(814,998)

The accompanying notes form part of these financial statements.

THOROUGHBRED RACING SA LIMITED: **Financial Statements**

Balance Sheet

For the year ended 30 June 2013.

	Note	30 JUNE 2013 \$	30 JUNE 2012 \$
Assets: Current assets			
Cash and cash equivalents	6	8,017,101	6,851,737
Trade and other receivables	7	7,173,416	5,906,975
Other assets	8	128,795	81,704
Total current assets		15,319,312	12,840,416
Non-current assets			
Plant and equipment	9	1,049,470	1,174,976
Financial assets - Investments	10	1,216,865	1,062,821
Total non-current assets		2,266,335	2,237,797
Total assets		17,585,647	15,078,213
Liabilities: Current liabilities			
Trade and other payables	11	1,929,310	2,223,680
Provisions	12	517,990	581,072
Other liabilities	13	695,133	694,700
Total current liabilities		3,142,433	3,499,452
Non-current liabilities			
Provisions	12	71,645	32,594
Other liabilities	13	293,234	656,173
Total non-current liabilities		364,879	688,767
Total liabilities		3,507,312	4,188,219
Net assets		14,078,335	10,889,994
Equity			
Reserves	15	184,212	30,168
Retained profits		13,894,123	10,859,826
Total equity		14,078,335	10,889,994

Statement of Changes in Equity

For the year ended 30 June 2013.

	FINANCIAL ASSET		
	RESERVE	RETAINED PROFITS	TOTAL
Balance as at 30 June 2011	70,954	11,634,038	11,704,992
Net Loss for the year	-	(774,212)	(774,212)
Other Comprehensive Income for the year	(40,786)	-	(40,786)
Balance as at 30 June 2012	30,168	10,859,826	10,889,994
Net Loss for the year	-	3,034,297	3,034,297
Other Comprehensive Income for the year	154,044	-	154,044
Balance as at 30 June 2013	184,212	13,894,123	14,078,335

The accompanying notes form part of these financial statements.



Escado | 2013 Centrebet SA Derby winner
 Trainer: Matt Laurie | Jockey: Ben Melham
 Photo courtesy of Atkins Photography

Statement of Cash Flows

For the year ended 30 June 2013.

	Note	30 JUNE 2013 \$	30 JUNE 2012 \$
Cash flows from operating activities			
Receipts in the course of operations		51,742,016	49,836,312
Payments in the course of operations		(50,402,408)	(50,811,811)
Interest received		354,845	485,892
Dividends received		32,262	29,983
Loan repayments from / (loans to) clubs		(438,985)	360,663
Net cash (used in) operating activities	15	1,287,730	(98,961)
Cash flows from investing activities			
Proceeds on disposal of investments		-	1,250
Payments for plant and equipment		(122,366)	(92,540)
Net cash (used in) investing activities		(122,366)	(91,290)
Cash flows from financing activities			
Reimbursement for Gawler Redevelopment Costs		-	8,859,873
Repayment of SAJC Loan		-	(4,000,000)
Net cash provided by financing activities		-	4,859,873
Net increase / (decrease) in cash held		1,165,364	4,669,622
Cash and cash equivalents at the beginning of the financial year		6,851,737	2,182,115
Cash and cash equivalents at the end of the financial year	6	8,017,101	6,851,737

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2013.

The financial statements and notes represent Thoroughbred Racing SA Limited ("the Company") as an individual entity, incorporated and domiciled in Australia. Thoroughbred Racing SA Limited is a company limited by guarantee.

1. Summary of significant accounting policies

BASIS OF PREPARATION

The Company has elected to early adopt the Australian Accounting Standards - reduced Disclosure Requirements as set out in AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements. Accordingly, the entity has also early adopted AASB 2011-2: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements and AASB 2012-7: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements in respect of AASB 2010-6: Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets and AASB 2011-9: Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001 (Cth).

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report was authorised for issue by the Directors of the Company on 27 September 2013.

(a) Revenues

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

TAB PRODUCT FEE REVENUE

Revenue from TAB product fees is recognised as it accrues.

BETTING OPERATIONS CONTRIBUTION

Revenue from Betting Operations Contribution is recognised as it accrues.

SABOIS REVENUE

SABOIS subscriptions are not recognised as revenue until horses are two years old, when one third is recognised as revenue and the balance is recognised when the horses are three year olds.

SALE OF GOODS

Revenue from the sale of goods is recognised when control of the goods passes to the customer.

FINANCIAL INCOME

Financial income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets through profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(b) Financial expenses

Financial expenses comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

(c) Taxation

No provision for income tax has been raised as Thoroughbred Racing SA Limited is exempt from income tax under the Income Tax Assessment Act 1997.

1. Summary of significant accounting policies (continued)

(d) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts, if any, are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

(f) Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses

are recognised either in the Statement of Comprehensive Income or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(h) for details of impairment.

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is available for use.

The estimated useful lives for each class of depreciable asset are:

- Plant and equipment 3-10 years
- Motor Vehicles 5-7 years
- Furniture and Fittings 3-10 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Statement of Comprehensive Income.

(g) Financial instruments

INITIAL RECOGNITION AND MEASUREMENT

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is

equivalent to the date that the Company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are recognised in the Statement of Comprehensive Income immediately.

CLASSIFICATION AND SUBSEQUENT MEASUREMENT

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, or where they are derivatives

1. Summary of significant accounting policies (continued)

not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in fair value (i.e. gains or losses) being recognised in the Statement of Comprehensive Income.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in the Statement of Comprehensive Income through the amortisation process and when the financial asset is derecognised.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in the Statement of Comprehensive Income through the amortisation process and when the financial asset is derecognised.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other

categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in the Statement of Comprehensive Income through the amortisation process and when the financial liability is derecognised.

IMPAIRMENT

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments,

a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

DERECOGNITION

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability, which is extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the Statement of Comprehensive Income.

(h) Impairment of assets

At the end of each reporting period, the Company reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised in the Statement of Comprehensive Income.

1. Summary of significant accounting policies (continued)

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an assets class, the Company estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

(i) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(j) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not

satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Contributions are made by the Company to employees superannuation funds and are charged as expenses when incurred.

(k) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(l) Comparative figures

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

(m) Critical accounting estimates and judgments

The directors evaluate estimates and judgments which are incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

KEY ESTIMATES - IMPAIRMENT: GENERAL

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may be indicative of impairment triggers. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions.

THOROUGHBRED RACING SA LIMITED: **Notes to the Financial Statements**

	2013	30 JUNE 2012
For the year ended 30 June 2013.	\$	\$
2. Revenue		
TAB Product Fees and Wagering Tax Relief	33,299,563	35,521,008
Betting Operations Contributions	9,970,118	5,434,758
Screening & International Rights	961,444	733,308
SABOIS subscriptions	361,367	396,650
Registration fees	214,863	233,436
Publications	267,498	276,331
Other	578,082	487,177
Total revenue	45,652,935	43,082,668

TAB product fees are recognised net of the SA Government tax commonly referred to as Clawback. The effect of this tax has been to reduce revenue by \$2,124,844 for the year ended 30 June 2013 (2012: \$2,137,726).

3. Other Income

SAJC Contribution to Industry Prizemoney	2,500,000	2,400,000
Government promotional grants	-	120,000
Total other income	2,500,000	2,520,000

4. Financial Income

Interest income	354,845	485,892
Dividend income	32,262	29,983
Total financial income	387,107	515,875

THOROUGHBRED RACING SA LIMITED: **Notes to the Financial Statements**

	2013	2012
	\$	\$
5. Expenditure		
(a) Industry Payments		
Training Grants and Raceday Usage payments	1,651,066	1,499,000
Race Day Payments & Costs	1,562,038	1,430,957
Club Promotion and Operational purposes	1,642,427	1,215,827
Club Capital Expenditure	953,163	417,279
Workcover & Insurance - Jockeys	712,360	964,785
Industry Staff Costs	617,208	545,249
Total Industry Payments	7,138,262	6,073,097
Advertising & Marketing	226,608	268,509
Marketing Professional Fees	98,601	153,841
Publication Expenses	312,610	324,433
Swab & Veterinary Supplies	267,910	271,014
Other	1,793,799	1,872,881
Total other expenses	2,699,528	2,890,678
(b) Other Expenses		
(c) Auditor Remuneration		
Remuneration of the auditor of the Company for:		
Audit of the financial report	15,200	14,8000

	30 JUNE 2012	30 JUNE 2011
6. Cash and cash equivalents	\$	\$
Current		
Cash at bank and on hand	6,379,392	40,725
Short-term bank deposits	1,637,709	6,811,012
	8,017,101	6,851,737

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	8,017,101	6,851,737
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7. Trade and other receivables

Current

Trade receivables	2,397,406	2,425,506
Other receivables	3,709,166	2,853,610
Loans to Thoroughbred Racing Clubs	1,066,844	627,859
	7,173,416	5,906,975

8. Other assets

Current

Prepayments	128,795	81,704
	128,795	81,704

	2013	2012
9. Plant and equipment	\$	\$
Non-current		
Plant and equipment - at cost	3,698,877	3,576,250
Less: accumulated depreciation	(2,649,407)	(2,401,274)
Total plant and equipment	1,049,470	1,174,976

The Company's plant and equipment includes assets purchased for the use of clubs generally and for industry wide purposes.

Movements in carrying amounts

Movements in the carrying amounts for each class of plant and equipment between the beginning and the end of the financial year:

Carrying amount at the beginning of the year	1,174,976	1,358,197
Additions at cost	122,366	92,540
Depreciation expense	(247,872)	(275,761)
Carrying amount at end of year	1,049,470	1,174,976

10. Financial assets - Investments

Non-current		
- Investment in Racing Information Services Australia Pty Ltd ('RISA')	454,637	454,637
Available-for-sale financial assets		
Listed equity securities available for sale	762,228	608,184
	1,216,865	1,062,821

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments. No intention to dispose of any listed available-for-sale financial assets existed at 30 June 2013.

11. Trade and other payables

Current		
Trade payables	465,827	436,245
Other payables and accruals	1,463,483	1,787,435
	1,929,310	2,223,680

	2013	2012
12. Provisions	\$	\$
Current		
Employee benefits - annual leave	220,020	263,998
Employee benefits - long service leave	297,970	317,074
	517,990	581,072
Non-current		
Employee benefits - long service leave	71,645	32,594
	71,645	32,594
Total provisions	589,635	613,666
Opening balance at 1 July 2012	613,666	529,195
Net provisions raised during the year	(24,031)	84,471
Balance at 30 June 2013	589,635	613,666

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1(j) to these financial statements.

13. Other liabilities

Current		
Income received in advance	695,133	694,700
	695,133	694,700
Non-current		
Income received in advance	293,234	656,173
	293,234	656,173
Total other liabilities	988,367	1,350,873

	2013	2012
	\$	\$
14. Reserve		
Financial Asset Reserve		
The financial asset reserve includes the cumulative net change in the fair value of available for sale investments until the investment is derecognised.		
15. Cash flow information		
Reconciliation of net (loss) for the year to net cash provided by operating activities		
Net surplus /(loss) for the year	3,034,297	(774,212)
Less items classified as investing/financing:		
- (Profit) on sale of investments	-	(1,250)
Add/(less) non-cash items:		
- Amounts set aside to provisions	(24,031)	84,471
- Depreciation expense	247,872	275,761
- Movement in the investment in RISA	-	(80,408)
- Loan impairment	-	300,000
Net cash from operating activities before change in assets and liabilities	3,258,138	(195,638)
Change in assets and liabilities during the period:		
- Decrease in trade receivables	28,100	557,784
- (Increase) in other receivables	(855,556)	(517,352)
- (Increase)/decrease in loans to Thoroughbred Racing Clubs	(438,985)	360,662
- (Increase)/decrease in other assets	(47,091)	43,142
- (Decrease) in trade payables	29,582	(193,548)
- Increase/(decrease) in other payables and accruals	(323,951)	179,674
- (Decrease) in income received in advance	(362,506)	(333,685)
Net cash provided by operating activities	1,287,730	(98,961)

	2013	2012
	\$	\$

16. Related party transactions

Key management personnel compensation

The key management personnel compensation included in employee expenses are as follows:

Short term employee benefits	637,346	520,030
Post-employment benefits	54,997	49,939
	692,343	569,969

Directors

The names of each person holding the position of Director of Thoroughbred Racing SA Limited during the financial year are Ms E.F Nelson QC, Messers D Rasheed, S Ward, D Cross, B Foster, K Smith and C Atkins.

Directors Compensation

The Directors compensation included in employee expenses are as follows:

Short-term employee benefits - Directors remuneration	206,294	206,294
Post-employment benefits	13,706	13,706
	220,000	220,000

Directors' transactions with the Company

The terms and conditions of the transactions with Directors and Director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to Directors and Director related entities were as follows:

Director	Transaction	Note		
Mr S Ward	Legal Services	(i)	20,009	17,631
Mr D Rasheed	Professional Services	(ii)	6,178	1,835

(i) The Company used the legal services of associated entities of Mr S Ward in relation to maintaining integrity for the industry and agreements with industry stakeholders.

(ii) The Company used the professional services of associated entities of Mr D Rasheed in relation to the Industry's interest in the Murray Bridge development.

Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms and include reimbursement of direct expenses incurred.

Amounts receivable from and payable to Directors and Director related entities at the end of the reporting period arising from the above transactions were as follows:

	2013	2012
16. Related party transactions (continued)	\$	\$
Amounts receivable from and payable to Directors and Director related entities at the end of the reporting period arising from the above transactions were as follows:		
Current trade and other payables		\$
- Trade payables	-	12,386

South Australian Jockey Club Inc

The South Australian Jockey Club Inc. (SAJC) is one of the two members of the Company and controls 50% of the voting power in general meeting and thereby has significant influence over the Company.

The following transactions occurred between the company and the SAJC during the year:

- The SAJC contributed \$2.5 million to the Company as a contribution to prize money, pursuant to an undertaking given by the SAJC to contribute portion of the income derived by the SAJC from the proceeds of the sale of Cheltenham racecourse. This amount has been recognised as Other Income in the Statement of Comprehensive Income.
- The contribution to prize money for the 2013 financial year was outstanding at balance date and is included in trade and other receivables in the Statement of Financial Position. This amount is non interest bearing.
- The Company made payments of \$1,583,593 (2012: \$1,160,609) direct to the SAJC during the year in line with the Industry's club funding models implemented by the Board for training grants and race day usage of the Morphettville courses, race

day costs, promotional and operational purposes and capital expenditure. These payments are included in the expense item Industry Payments in Statement of Comprehensive Income.

SOUTH AUSTRALIAN RACING CLUBS COUNCIL

The South Australian Racing Clubs Council (SARCC) is one of the two members of the Company and controls 50% of the voting power in general meeting and thereby has significant influence over the Company.

The Company made payments of \$40,000 to SARCC during the year for operational purposes. These payments are included in the expense item Industry Payments in Statement of Comprehensive Income.

The members of SARCC are the South Australian Racing Clubs (Clubs) other than the SAJC. The following transactions occurred between the company and Clubs during the year:

- The Company made payments of \$2,642,764 (2012: \$1,895,097) direct to Clubs during the year in line with the Industry's club funding models implemented by the Board for training grants and race day usage of the various country race courses operated by member

clubs of SARCC, race day costs, promotional and operational purposes and capital expenditure. These payments are included in the expense item Industry Payments in Statement of Comprehensive Income.

- The Company has entered into loan agreements with and made loans to Clubs to provide working capital and to facilitate capital projects, which amounted to \$1,066,844 at 30 June 2013 (2012: \$627,859). The loans are secured or capable of being secured. Interest earned by the Company amounted to \$7,674 (2012: \$204,589) and is included in Financial Income in the Statement of Comprehensive Income.

17. Contingent liabilities

Estimates of the potential effect of contingent liabilities that may become payable:

SABOIS

Qualified yearling horses are nominated for the South Australian Breeders & Owners Incentive Scheme (SABOIS) allowing them the opportunity to win bonuses in specified races.

No provision for future bonuses has been made in the statement of financial position as the requirement to pay a bonus does not arise until such time as the horse wins or is placed in a SABOIS race.

An estimate has been made based on past experience of likely future bonuses payable for those horses nominated for the scheme that are yet to reach the age of four. At 30 June 2013 it is estimated that these future bonuses will be \$5.0 million.

SINGLE NATIONAL SYSTEM

Thoroughbred Racing SA Ltd has agreed to participate in the Single National System being developed by RISA Pty Ltd (RISA), as have all other States' Principal Racing Authorities (PRA). The system will bring together, under a national framework, many business practices relating to racing that are currently run in disparate systems across Australia. The project is expected to take a further two years to complete and will be initially funded by RISA partially withholding distributions to the PRA's.

The total cost to develop the system is estimated to be \$3.2m. The funding for this system is based on a user pays model, with a charge being raised to each State based on the number of nominations each month until such time as the total project cost has been recouped by RISA. The charge is \$1.06 per nomination and the project has a payback period estimated to be eight (8) years.

The contribution by Thoroughbred Racing SA Ltd towards the projects' cost is estimated to be \$164,000. The contribution made towards the project for the year ended 30 June 2013 was \$18,836.



Bagman | 2012 Advertiser Newspapers Balaklava Cup winner
Trainer: Sam Kavanagh | Jockey: Brad Rawiller
Photo courtesy of Atkins Photography

18. Financial risk management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and loans, investments, accounts payable and borrowings.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

		2013	2012
Financial assets	Note	\$	\$
Cash and cash equivalents	6	8,017,101	6,851,737
Receivables and loans	7	7,173,416	5,906,975
Investments	10	1,216,865	1,062,821
Total financial assets		16,407,382	13,821,533

Gains and losses recognised in other comprehensive income

Gains and losses recognised in other comprehensive income in respect of available-for-sale financial assets:

- Net fair value (loss) on remeasurement		154,044	(40,786)
Total losses recognised in other comprehensive income		154,044	(40,786)

Financial liabilities

Financial liabilities at amortised cost

- Trade and other payables	11	1,929,310	2,223,680
Total financial liabilities		1,929,310	2,223,680

RISK MANAGEMENT FRAMEWORK

Identification, measurement and management of risk is a priority for the Company. The provision of administration and management to the horse racing industry in South Australia carries a number of diverse risks which may have a material impact on the Company's financial position and performance. Consequently, the Board and Management have established a framework covering accountability, oversight, measurement and reporting to maintain high standards of risk management.

The Company allocates specific roles in the management of risk to Management. This is undertaken within an overall framework and strategy established by the Board.

19. Events after the reporting period

The Directors are not aware of any significant events since the end of the reporting period.

20. Company details

The registered office and principal place of business of the Company is:

Thoroughbred Racing SA Limited
Morphettville Racecourse
MORPHETTVILLE SA 5043

21. Members' guarantee

The Company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$2.00 each towards meeting any outstanding's and obligations of the Company. At 30 June 2013 the number of members was 2.

Directors' Declaration

THOROUGHBRED RACING SA LIMITED

DIRECTORS' DECLARATION

The directors have determined that the Company is not a reporting entity and that this general purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 9 to 25, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards as stated in Note 1; and
 - (b) give a true and fair view of the Company's financial position as at 30 June 2013 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director 

F Nelson QC

Dated at Adelaide this 27th day of September, 2013

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THOROUGHBRED RACING SA LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Thoroughbred Racing SA Limited (the company), which comprises the statement of financial position as at 30 June 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THOROUGHBRED RACING SA LIMITED**

Auditor's Opinion

In our opinion the financial report of Thoroughbred Racing SA Limited is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

William Buck
ABN: 38 280 203 274

G.W. Martinella
Partner

Dated this 27th day of September, 2013.

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

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STRATEGIC THINKING | TAILORED ADVICE | INTEGRATED SOLUTIONS

CHARTERED ACCOUNTANTS & ADVISORS



**Platelet | 2013 Sportingbet Classic
& Distinctive Homes Goodwood winner**
Trainer: Darren Weir | Jockey: Ben Melham
Photo courtesy of Atkins Photography