
THOROUGHBRED RACING SA



2018 ANNUAL REPORT



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* ALL RACING PHOTOS COURTESY OF ATKINS PHOTOGRAPHY,
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COVER IMAGE:
SANTA ANA LANE | 2018 Darley Goodwood
TRAINER: Anthony Freedman | JOCKEY: Ben Melham
PHOTO: Atkins Photography

THIS PAGE:
FANATIC | 2018 UBET Adelaide Cup
TRAINER: David & Ben Hayes & Tom Dabernig | JOCKEY: Michael Walker
PHOTO: Atkins Photography





Chairman's Report



FRANCES NELSON QC
CHAIRMAN

While there were a number of important achievements in the 2018 racing year, the local South Australian Racing Industry faced a number of challenges adversely impacting upon its revenue, and the uncertainty these created has impacted on our ability to plan appropriately for the future of our industry.

State Government Support

We were both delighted and of course relieved when on the eve of the end of the financial year the State Treasurer the Honourable Rob Lucas, wrote to me on behalf of the State Government advising that the State Government would provide the industry with a one-off Grant of \$4.85M. The Treasurer referred to the Racing Industry's Submission as to the loss of its Betting Operations Contributions (BOC) as a result of specific actions taken by interstate wagering operators, and that the Grant provided reflected those losses with the fact that South Australia was the first jurisdiction to introduce a Point of Consumption (POC) tax.

TRSA's share of the Grant amounted to \$4.054M and without such we faced a substantial \$5.081M operating deficit. The Grant provided effectively reimbursed us, rightly so, for the reduced BOC revenue which would have previously come to the Industry but was in part now going to Government by way of the POC tax.

State Government Submissions

A considerable amount of my time and that of TRSA's Chief Executive Officer, Jim Watters, and Chief Operating Officer, Nick Redin, has been taken up in preparing, on behalf of all three Racing Codes in South Australia, a number of Submissions and Briefing Papers tabled with the State Government seeking much needed Government support for the SA Racing Industry and the Thoroughbred Code in particular (which accounts for over 71% of the local industry). These have similarly been presented to the opposition Labor Party.

As well as the extensive work that went into our successful claim for reimbursement with regards our BOC revenue loss due to the POC tax in South Australia, Submissions have been tabled with respect to the following:

- Continuation of the \$3M Government funding for the Adelaide Festival of Racing, as provided by the former Labor Government for 2017 and 2018.
- Continued funding as may be required to hold the SA Racing Industry whole in the context of lost BOC revenue due to the POC tax, including request that the POC tax rate be reduced to be in line with that in NSW/ Victoria, and that the SA Racing Industry receives a defined percentage of the net POC tax received by Government.
- Payment to the Racing Industry of the \$1M product fee payment by UBET with respect to their renewed Retail Exclusivity in South Australia.
- Implementation of the Industry's Submission "Sustaining the SA Racing Industry", with a commitment of \$53.2M across the next four years.

In support of the Industry's Submissions we have stressed and highlighted the importance

of the SA Racing Industry as an employer, economic contributor, and social contributor to many communities, especially regionally.

We have also referred to the substantial support the racing industries in other States have, and continue to receive from their State Governments, and where those State Governments have readily recognised the importance of the racing industry in their States. Without Government action and support we simply cannot compete with those other States, in maintaining participation and retaining our participants in South Australia, and the employment and investment they create.

Racecourse Developments

- The 2017/18 year saw the final component of the new Murray Bridge racecourse development commence, with the construction of the Raceday Facilities and Function Centre. It is anticipated that construction will be completed by March/April 2019, with racing at the new track commencing mid next year. We will of course be staging trials at the new venue as soon as practicable once the construction work at the track is complete.
- The reconstruction of the Mt Gambier track has been completed, and the extensive drainage work installed certainly performed as expected during heavy rain the past winter in the South East. The new turf is establishing well and we are on target for recommencing racing at Mt Gambier ahead of the Mt Gambier Racing Club's Cup meeting on 10 May 2019.

This has been a \$3.175M project funded jointly by a \$1.5M Federal Grant and \$1.675M from TRSA's industry funds.

- Work has also commenced on the new raceday facilities and functions area at Bordertown Racecourse. The majority of this project has been funded by way of a Federal Grant of \$400K and the Bordertown Racing Club's resources, while TRSA has provided some

funding through its Capital Works funding. Significant assistance and support from Management has been provided to enable the project to be undertaken within the budget available.

Adelaide Festival of Racing

May saw the second staging of the Adelaide Festival of Racing following the former State Government's commitment to provide \$3M for each of 2017 and 2018. This enabled the SA Thoroughbred Racing Industry to join all other States in Australia, in hosting two \$1M races, with the Group 1 Darley Goodwood and Group 2 UBET Classic (Sangster) each run for \$1M. The standing and recognition of these events and our Festival of Racing was reinforced when Santa Ana Lane followed up her win in the Darley Goodwood by taking out Queensland's major race, the Stradbroke Hcp, while both Santa Ana Lane and Shoals, who won our \$1M event the Sangster, gained slots in The Everest at Randwick. They were joined in the event by South Australia's Racehorse of the Year, Viddora.

Retail Exclusivity

On the eve of the State Government going into caretaker mode ahead of the 17 March State Election, the extension of UBET's Retail Exclusivity was confirmed, with terms and conditions agreed between Treasury and UBET. Together with our CEO Jim Watters, I continued to attend numerous meetings with Treasury and UBET, as the negotiation process was concluded. While we were successful in gaining significant funding for the racing industry through the negotiation process, due to the tardiness of UBET accepting the final position, with the then Government going into caretaker mode, some aspects of the agreement reached had to be carried over to the new Government and we are yet to finalise an outcome with respect to those matters with the new State Government.

Merger UBET and Tabcorp

The merger between UBET and Tabcorp was finally completed in December 2017. TRSA had strongly supported the merger, having for many years expressed concern as to the poor performance of our local TAB, UBET, where there appeared to be a lack of a clear focus on racing, in particular in South Australia. Indications had been that there would be a potential \$5M-\$10M pa in increased funding to the SA Racing Industry through the merger and we naturally look forward to this coming to fruition, at least in part, in FY19. While it is early days with the merged entity, with a number of logistical matters and issues to be worked through and managed, we have been impressed already with the increased level of data and information being provided by Tabcorp, and the improved focus on South Australia as we work together to grow turnover and revenue from our home TAB.

Conclusion

I take this opportunity to express thanks to my colleagues on the Board of TRSA and to our skilled and dedicated management team headed

by our CEO Jim Watters ably assisted by our COO Nick Redin, Chairman of Stewards Johan Petzer, Marketing Manager Michelle Greene, and all the staff of TRSA.

On behalf of the industry I express our gratitude to Simon Ward, who leaves the Board this year, for the invaluable support and advice he has so freely provided over many years as Deputy Chairman. His work has not only benefited the South Australian racing industry but he has been a significant contributor at a national level in a number of critical areas.

I also express my thanks to all the volunteers in Metropolitan, Provincial and Country racing South Australia, who dedicate so much of their personal time to the racing industry and its success.



FRANCES NELSON QC
CHAIRMAN



ZED EM | 2018 Thomas Foods International
Great Eastern Steeplechase
TRAINER: Patrick Payne | JOCKEY: Steven Pateman
PHOTO: Atkins Photography

Chief Executive Officer's Report



JIM WATTERS
CHIEF EXECUTIVE OFFICER

Thoroughbred Racing SA's (TRSA) full 2018 Annual Report and 2017/18 Financial Statements are available on our website www.theracessa.com.au.

I am pleased to once again provide the following, highlighting the various aspects of our operations in FY18.

The 2017/18 Financial Year was an extremely challenging one for the South Australian Racing Industry, with the commencement on 1 July 2017 of the State Government's 15% Point of Consumption (POC) tax, which the Treasurer had first announced in June 2016. At that time, South Australia was the only State to announce the introduction of a POC tax, and the announcement of such created considerable angst and push-back from our interstate wagering partners. Not only against the introduction of a POC tax itself, but also what was considered to be a high tax rate of 15%. Further comment on the POC tax and its impact on TRSA is noted below.

On the positive side, the 2017/18 Financial Year saw the commencement of TRSA's Media Rights Agreement with Racing.com, which brings with it increased revenue from our vision and international rights, along with the important greater coverage and exposure of South Australian thoroughbred racing across all of Racing.com's media platforms, especially free to view across Australia on the Seven Network's C78/C68.

TRSA has made a substantial investment in upgrading the State's Metropolitan and Provincial tracks to industry leading high definition (HD) cabling to enhance the quality of the vision provided from our tracks, as well as committing to additional vision production costs, including best practice HD and increased camera numbers, to further improve the coverage of our racing. All of which the TRSA Board have considered to be important initiatives to promote South Australian thoroughbred racing to the widest possible audience, to grow turnover by our interstate wagering partners.

Financial highlights for the year were:

7.8%

growth in total Revenue

The eighth

consecutive year with
growth in Revenue

11.24%

increase in net Betting Operations
Contribution (BOC) revenue from
interstate wagering operators
wagering on SA thoroughbreds
(including adjustment re
Government Funding)

Prize Money, including SABOIS
payments, increased by

\$1.402M
(3.2%)

\$4.105M increase
in Industry Payments (26%)

Key Financial Results

TRSA recorded an operating deficit of \$1.027M for the 2018 financial year. The TRSA Board had budgeted for a \$1.361M deficit for the year, with its strategy to use a portion of the reserves accumulated from successive years of surpluses, to enable a very substantial increase in funding to Clubs, in particular through capital expenditure, while still providing above CPI prize money increases. The final result was therefore \$334K above budget.

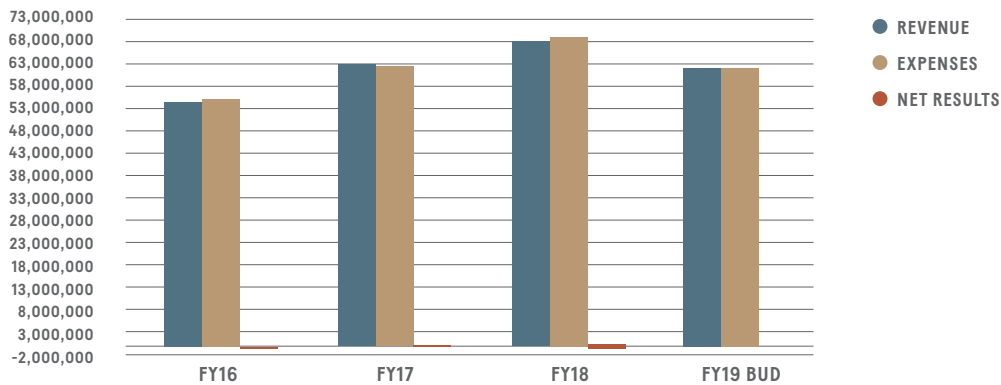
As I have noted in previous Annual Reports, importantly the past net surpluses have been achieved off the back of increased revenue and not through any reduction in distributions to the industry, with virtually all distributions having increased by more than CPI.

The financial result recorded for the 2017/18 financial year incorporated \$5.507M in increased distributions by TRSA to the South Australian racing industry. Prize money and SABOIS payments rose by \$1.402M (+3.2%), while there was an increase of \$4.105M in payments to Clubs (including an increase of \$1.926M in Capital and WHS expenditure), a \$250K increase in Jockeys' WorkCover, and insurance payments.

Total Revenue for 2017/18 rose by \$5.361M (+7.8%) on the prior year, an excellent result in the current environment, and well above the CPI rate. The combined revenue from wagering was down \$2.078M (-3.65%) following on from a 9.08% increase in 2017. However the \$4.054M funding received from Government (covered under Betting Operations Contribution Revenue below) was reimbursement for our reduced BOC (referred to as "Race Fields" in other States) revenue for the year, as a consequence of the introduction of a POC tax in South Australia, and arguably should be included as wagering revenue. On that basis wagering revenue would have risen by \$1.976M (+3.47%), and adopting the same rationale, Revenue from wagering accounted for 86.34% of TRSA's total revenue.

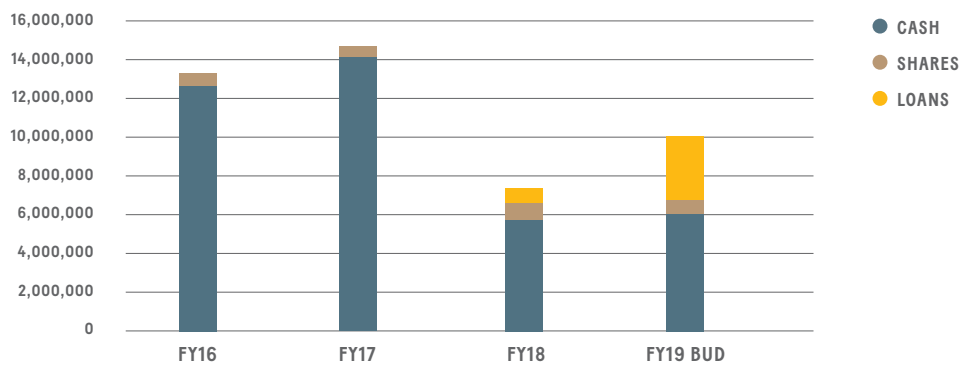
Overall Company Profitability and Reserves

The chart below shows the Company's operating results for FY16 through to FY18 and the FY19 budget.



	FY16	FY17	FY18	FY19 BUD
Revenue	54,946,952	63,131,555	68,492,850	62,007,077
Expenses	54,990,112	62,711,385	69,519,946	61,828,716
NET RESULT	(43,160)	420,170	(1,027,096)	178,361

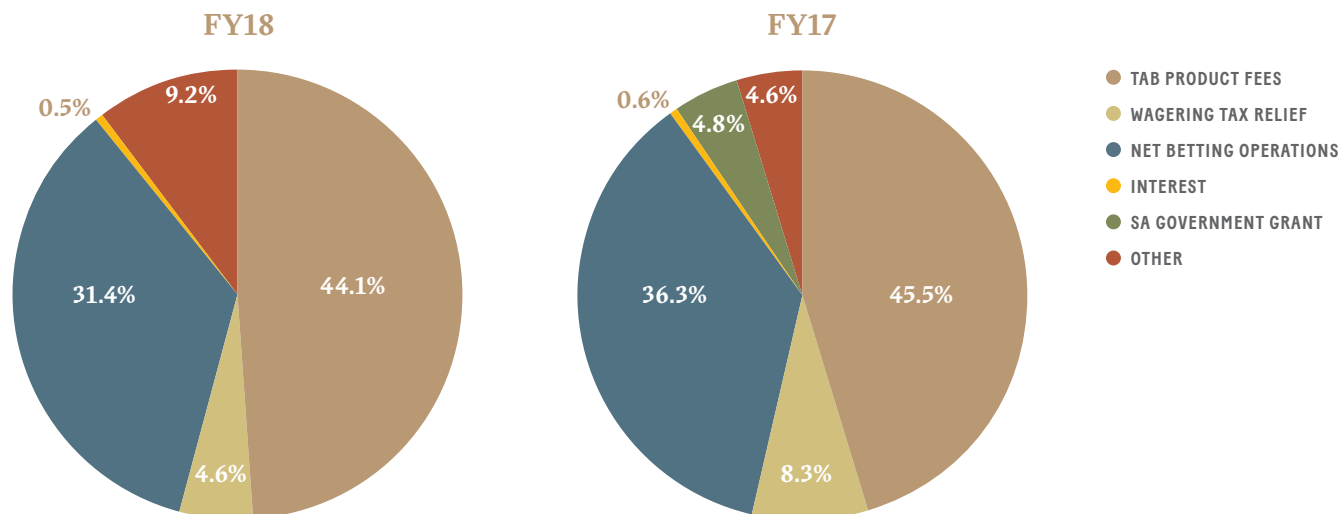
The chart below shows the Company's cash reserves and value of share holdings for FY16 through FY18 and the FY19 Budget.



	FY16	FY17	FY18	FY19 BUD
Cash	12,836,629	14,199,022	5,715,830	6,066,381
Shares	844,144	888,800	917,920	945,000
Loan	0	0	1,022,689	5,000,000
TOTAL	13,680,773	15,087,822	6,633,750	7,011,381

Revenue

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



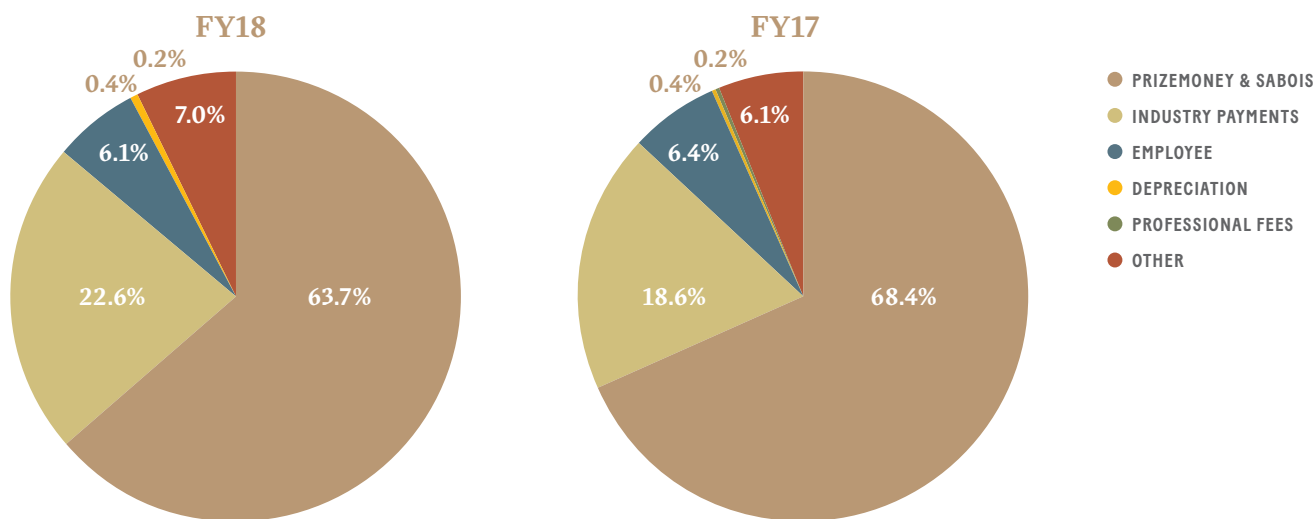
	FY18		FY17		CHANGE	
TAB Product Fees	30,202,289	44.1%	28,708,998	45.5%	1,493,291	4.9%
Wagering Tax Relief	3,125,883	4.6%	5,225,939	8.3%	(2,100,056)	-67.2%
Net Betting Operations	21,473,906	31.4%	22,945,127	36.3%	(1,471,221)	-6.9%
Interest	321,727	0.5%	363,631	0.6%	(41,904)	-13.0%
SA Government Grant	7,054,344	10.3%	3,000,000	4.8%	4,054,344	0.0%
Other	6,314,701	9.2%	2,887,860	4.6%	3,426,841	54.3%
TOTAL	68,492,850		63,131,555		5,361,295	7.8%

FY18 Net Betting Operation Contributions (BOC) is after deductions of \$7.84M (FY17 \$7.40M) relating to charges incurred by UBET SA from other States' racefields legislation (which is the equivalent of South Australia's BOC). Under the South Australian Racing Distribution Agreement, which 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; Media and International Rights, SABOIS registration fees, industry participants registration fees, calendar advertising and subscriptions (The Races) together with other sundry revenue items.

Expenses

The Charts below show the proportion of expenses for each department for the last two financial years



	FY18		FY17		CHANGE	
Prizemoney & SABOIS	44,318,853	63.7%	42,916,340	68.4%	1,402,513	3.2%
Industry Payments	15,744,504	22.6%	11,645,528	18.6%	4,098,976	26.0%
Employee	4,228,730	6.1%	4,004,158	6.4%	224,572	5.3%
Depreciation	261,252	0.4%	223,298	0.4%	37,954	14.5%
Professional Fees	113,618	0.2%	97,867	0.2%	15,751	13.9%
Other	4,852,989	7.0%	3,824,194	6.1%	1,028,795	21.2%
TOTAL	69,519,946		62,711,385		6,808,561	9.8%

While the current Club Funding Model implemented by TRSA has seen continued improvement in the financial position of the majority of the State's thoroughbred racing Clubs, with the balance of current TRSA loans to Clubs having reduced by a further \$175K in FY18 following a reduction of \$434K over the previous two years, TRSA is mindful of the financial pressures on Clubs, and the need to continue to address Club funding and finances. The Board had intended reviewing the Club Funding Model in FY18, following anticipated revenue growth arising from the Racing.com partnership and a

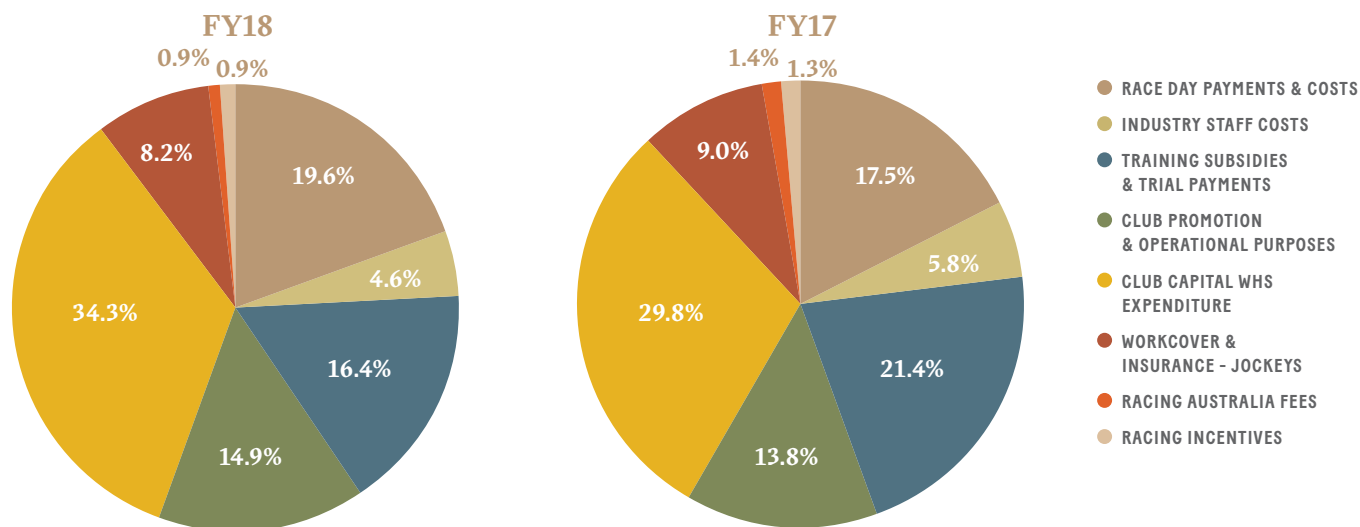
potentially improved performance by UBET following the merger with Tabcorp, however with the continued uncertainty with our BOC revenue, due to the POC tax in South Australia, with no response from the State Government as to an ongoing commitment to hold the Racing Industry harmless due to the POC tax, as had been promised to the Industry, the Board has put its review on hold.

The revenue TRSA receives from its home TAB, UBET, continues to be the largest single source of TRSA's revenue, however it continues to fall

as a percentage of TRSA's total Revenue. Revenue from UBET, including Wagering Tax, fell by \$607K (-17.89%) on the previous year, but still represents 48.89% of TRSA's total revenue. The declining relativity of TRSA's revenue from UBET to total Revenue, is both disappointing and concerning, and TRSA has made its views clear to the merged Tabcorp/UBET entity, seeking advice as to their strategies to arrest such. As it attempts to improve the position, and deliver the benefits they had advised would flow to the local Racing Industry through the merger, Tabcorp now holds monthly meetings

Industry Payments

The Charts below show the proportion of expenses for each expense item for the last two financial years



	FY18		FY17		CHANGE	
Race Day Payments & Costs	3,087,489	19.6%	2,037,303	17.5%	(1,050,186)	-34.0%
Industry Staff Costs	729,172	4.6%	673,545	5.8%	(55,627)	-7.6%
Training Subsidies & Trial Payments	2,587,017	16.4%	2,487,850	21.4%	(99,167)	-3.8%
Club Promotion & Operational purposes	2,350,595	14.9%	1,603,895	13.8%	(746,700)	-31.8%
Club Capital WHS Expenditure	5,400,800	34.3%	3,474,891	29.8%	(1,925,909)	-35.7%
Workcover & Insurance - Jockeys	1,298,404	8.2%	1,047,965	9.0%	(250,439)	-19.3%
Racing Australia Fees	148,152	0.9%	165,377	1.4%	17,225	11.6%
Racing Incentives	149,343	0.9%	154,972	1.3%	5,629	3.8%
TOTAL	15,750,972	100.0%	11,645,798	100.0%	(4,105,174)	-26.06%

with the three Code representatives to maintain a regular and clear focus on wagering and revenue returns from UBET SA to the local Industry, with greater transparency re yield management, performance drivers and customer offerings and improved customer service model. Thoroughbreds achieved a near record Market Share (the split of UBET SA's revenue between the Thoroughbred, Greyhound and Harness Codes in SA) of 71.68%, up on last year's 71.29%, and the highest since the 71.72% achieved in 2014/15.

As we have highlighted on numerous occasions, with a relatively small population base in South Australia, for racing in South Australia to survive and grow, it requires the support and attention of interstate wagering operators (corporates and TAB) and their customers, by wagering on our racing. This has been a vital factor in the SA thoroughbred racing industry's improved financial position over the past 7-8 years.



SHOALS | 2018 UBET Classic
TRAINER: Anthony Freedman | JOCKEY: Tim Clark
PHOTO: Atkins Photography

Betting Operations Contribution (BOC) Revenue

BOC continues to represent the greatest contribution to our revenue growth. When including within the BOC revenue total the \$4.054M Government funding by way of reimbursement of lost BOC revenue following the introduction of a POC tax in South Australia (as noted below), TRSA's Net BOC revenue grew by \$2.579M (+11.24%) to \$25.524M. This maintains the sustained growth achieved in BOC, following increases of \$3.527M (18.2%) and \$3.065M (18.7%) in 2017 and 2016 respectively. The Gross BOC revenue received by TRSA in 2017/18 was \$33.369M (including the \$4.054M Government funding), which equates to 48.95% of TRSA's total Revenue, and virtually identical to that received from UBET.

As noted in previous Annual Reports, under the terms of the Sale of the SA TAB in 2000, TRSA is required to reimburse UBET for the Race Fields payments they are required to pay in other States, from wagering by their South Australian customers on those other State's racing. This amounted to \$7.841M in FY18.

The continued revenue growth being achieved is of course a positive for the industry although the quantum and rate of growth is not sufficient to enable us to compete with other States, where significant funding is provided by the respective State Governments. External challenges beyond the industry's direct control, such as the introduction of the POC tax in South Australia, create considerable uncertainty moving forward, and restrict the Board's ability to implement with any confidence, strategies to grow the thoroughbred racing industry in South Australia. The major challenge is to balance the distribution of funds to the industry and participants, all of whom are facing their own challenges. The rapidly rising costs of managing tracks and venues, owning, breeding and training horses, are outstripping TRSA's ability to fund such without the support of our State Government.

TRSA has met on numerous occasions with key Government Ministers, presenting and arguing its case through a range of Submissions, seeking support from Government to "Sustain and Grow the SA Racing Industry", as has been delivered by the State Government in virtually every other State in Australia. This has not only been for prize money, which remains the key driver in sustaining and growing the Industry, but also for much needed infrastructure projects (training, race track and patron facilities), integrity and ownership/breeding.

Direct funding to Clubs increased by \$3.821M (39.78%), the bulk of which was once again provided for Club Capital and WHS expenditure. Excluding Capital Expenditure, funding to Clubs rose by \$1.895M (+30.92%).

65% of TRSA Revenue was distributed by way of prize money, dropping from 67.98% in FY17. Prize money accounted for 63.75% of total Expenses, while 19.69% of Revenue was distributed by way of Industry payments, up from 18.45% in FY17.

Point of Consumption Tax (Government Support)

Immediately upon the announcement of the introduction of a POC tax in South Australia, we raised our grave concerns with the State's then Treasurer as to the likely punitive actions by corporate bookmakers against the SA racing industry, which would have a severe negative impact on the Racing Industry's revenue from its Betting Operations Contributions. We predicted that those actions would be both quick and severe, as operators endeavoured to send a message to other States contemplating the introduction of a POC tax, in an attempt to dissuade them from doing so. The actions taken against the SA Racing Industry were perhaps even more effective than the operators themselves anticipated.

The SA Racing Industry had gained some comfort from the positive advice from the Treasurer at the time of his announcement as to the introduction of a POC tax, that the Racing Industry would be no worse off as a consequence of the introduction of the new tax in South Australia. We commenced working with Treasury in late 2016, to establish a basis for an Industry claim for reimbursement as to lost BOC revenue effectively redirected to Government by way of the new POC tax, and actions against the SA Racing Industry by wagering operators. A model was established around a trend line approach across the five years preceding the introduction of the POC tax, to provide comparison between that and the 2017/18 BOC revenue result.

The Racing Industry's position became potentially more complicated and precarious with the change of Government in South Australia following the State elections in March this year. Thankfully, after submissions and strong overtures from the SA Racing Industry, the new State Liberal Treasurer advised on 28 June 2018 that Government would provide funding to the Industry for the 2017/18 year, to assist in offsetting the lost revenue to the Industry as a consequence of the introduction of a POC tax in South Australia, and South Australia being the first jurisdiction to introduce a POC tax in that period. The funding provided to the SA Racing Industry amounted to \$4.85M, with the Thoroughbred Code receiving \$4.054M. It should be acknowledged that this funding, which was most certainly gratefully accepted and appreciated, was honouring the promise that the SA Racing Industry would be no worse off following the introduction of a POC tax in South Australia.



I'LL HAVE A BIT | 2018 UBET Euclase Stakes
TRAINER: John McArdle | JOCKEY: Chris Parnham
PHOTO: Atkins Photography

Prize Money Increases

Despite the pressure on TRSA's revenue, the impact of rising costs, and the need to address Club funding issues, total prize money payments rose by \$1.402M (+3.2%). This is on top of prize money increases made in FY17 and FY18 following the provision of \$2.90M in additional State Government funding towards the Adelaide Festival of Racing, which provided for South Australia's first \$1M races, the Group 1 Darley Goodwood and the Group 1 UBET Classic (Robert Sangster), along with six Saturdays with minimum prize money of \$100K per race.

South Australian Thoroughbred Racing Awards

Once again we witnessed some outstanding achievements by our South Australian racing participants in the 2017/18 season, which were recognised at the recent SA Thoroughbred Racing Industry Awards and Hall of Fame Inductions. A full list of the award winners is included at the conclusion of my report, and I congratulate all of the Award winners.

Jamie Kah once again dominated in the riders' ranks, and her partnership with Tony McEvoy, who took out the Metropolitan and State Trainer Awards was a formidable one. Jamie likewise won the Metropolitan and State, as well as the Provincial Jockey Awards, while she also 'smashed' the national record for the number of wins by a female rider in a season, which she had set the previous year with 130 wins, recording 151 wins in 2017/18. She also claimed the prestigious John Letts Medal for the fourth time in the past six seasons.

The Lloyd Kennewell trained mare Viddora, won the South Australian Champion Racehorse Award. A true South Australian "product" having been bred in South Australia and sold through the Adelaide Magic Millions Sales, Viddora's season's achievements were highlighted by; winning the Group 1 Winterbottom Stakes at Ascot, this followed a 2nd in the Group 1 Moir Stakes,

and a 4th in the Group 1 Manikato Stakes. She then went on to win \$1M Magic Million Sprint on the Gold Coast.

Conclusion

The SA racing industry continues to face significant challenges as we endeavour to increase returns to participants. Increasing participant returns will increase investment by existing and potentially new participants, a cornerstone of maintaining and expanding the thoroughbred racing industry in South Australia, while at the same time adequately and appropriately funding Clubs and addressing infrastructure requirements, both in terms of tracks (training and racing) and patron facilities.

To not only grow, but simply to maintain participation and investment, we must close the gap between the costs, and the returns of participants and ownership. Unfortunately with the demands in addressing Club and venue requirements, the percentage of TRSA's Revenue which is directed to prize money has fallen. For several years previously, the greater part of TRSA's increases in revenue was directed to increasing prize money, as Boards endeavoured to increase returns to participants, and address the potential loss of participation and investment interstate. However there has been an increased need to address infrastructure matters which has required an increase in our Capital expenditure and WHS funding allocation to Clubs in more recent times.

86.34% of TRSA's revenue is derived from wagering, and although that has dropped from 90.1% in FY17, it represents a high exposure to a single income source. The ever increasing growth in the contributions received from interstate wagering operators from their customers' activities on South Australian racing, is vital to our growth, and as noted previously this extends this revenue source across a wider population base. However that also exposes the Industry to the adverse impact on its revenue if

a relatively few number of operators take punitive action against South Australia in reacting to Government actions or policies which they disagree with, as per the recent example of the introduction of a POC tax in South Australia.

While TRSA has urged the State Government to provide an assurance to the SA racing industry that it will maintain the position as to the SA racing industry being no worse off as a consequence of a POC tax in South Australia, to date no such assurance has been forthcoming for FY19 and beyond. TRSA continues to make what it considers to be very reasonable overtures to the State Government on this matter and will continue to strongly prosecute the Industry's position. At this point, as a result of this uncertainty to TRSA's revenue, the Board has had to cut proposed Capital expenditure funding to Clubs in its FY19 Budget, and form a budget based on a potentially reduced BOC revenue. This decision will be reviewed should the situation with the State Government alter.

While all States have now announced the introduction of a POC tax in FY19, there are differing commencement dates, and different tax rates. From 1 July to 30 September 2018, South Australia has still been the only State with a POC tax, with Queensland commencing 1 October 2018 and all other States 1 January 2019. While Queensland and Western Australia will also have the same 15% POC tax rate as South Australia, New South Wales (8%) and Victoria (10%) have lower rates. As these two States are the largest racing jurisdictions in Australia, it is likely the corporate bookmakers will increase their actions against those States with the higher POC tax rates, and direct their activities and promotions with their customers elsewhere. All of which has the potential to continue to adversely impact on TRSA's BOC revenue.

2017/18 Racing Statistics

(1 August 2017 to 31 July 2018)

NUMBER OF MEETINGS CONDUCTED	2017/18	2016/17	2015/16	2014/15
Metropolitan	61	59	61	60
Provincial/Country	115	116	115	119
Non TAB	10	7	9	9
TOTAL	186	182	185	188

NUMBER OF RACES CONDUCTED	2017/18	2016/17	2015/16	2014/15
Metropolitan	498	481	496	496
Provincial/Country	894	916	913	925
Non TAB	56	38	52	52
TOTAL	1,448	1,435	1,461	1,473

Also, in those other States the respective State Governments have made commitments as to some portion of revenue received by Government from their POC tax being directed on to their local racing industry. It is imperative for the security and growth of South Australian racing that the State Government provides appropriate funding and assurances to the industry's ongoing revenue.

The above comparative differences between South Australia's existing State Government taxation and funding arrangements and that in other States, has and will continue to be highlighted by TRSA, with a view to achieving a more reasonable and equitable outcome for our Racing Industry.

A further challenge being faced by the industry, is the need to increase our focus on integrity and welfare (equine and human) matters and standards, which are being demanded by sectors of the community. All of which comes at a cost, and places even further pressure on our limited revenue and resources. While working with smaller budgets, we have and

will continue to increase our focus and vigilance in relation to integrity matters, which is a key cornerstone of the racing industry, especially when considering the high reliance by the Industry on its wagering revenue. Recent cases discovered and successfully prosecuted by TRSA's Stewards' Department are evidence of our activities in this area.

The racing industry will always continue to be a point of focus and scrutiny by animal welfare and activist organisations. As an industry we have taken significant steps in focussing on welfare matters, and will continue to do so. The continuing challenge is to communicate to the wider community that no-one is more supportive of, and focussed on, the need for horse welfare than the racing industry itself, and stress our culture that "it's all about the horse".

In conclusion, I once again thank TRSA's staff for their ongoing contribution and effort towards the success and integrity of racing in our State. TRSA has a relatively small team striving to maximise returns from a limited

budget, for South Australian racing as we implement the policies of the Board.

I also thank all participants across the State for their support, efforts and participation, including; Club Committees and volunteers, Trainers, Owners, Jockeys and Breeders. Thank you for each of your contributions as we work to make the South Australian thoroughbred racing industry even more successful.



JIM WATTERS
CHIEF EXECUTIVE OFFICER

Racing Snapshot - 2017/18 Premierships

(1 August 2017 To 31 July 2018)

METROPOLITAN TRAINER	WINS
Tony McEvoy	52
Darren Weir	42
Ryan Balfour	26

METROPOLITAN JOCKEY	WINS
Jamie Kah	63
Jason Holder	37
Todd Pannell	37

METROPOLITAN APPRENTICES	WINS
Raquel Clark	27.5
Victor Wong	18
Emily Finnegan	17

STATE TRAINER	WINS
Tony McEvoy	89
Grant Young	59
Ryan Balfour	53

STATE JOCKEY	WINS
Jamie Kah	139
Todd Pannell	91
Kayla Crowther	78

STATE APPRENTICE	WINS
Kayla Crowther	78
Raquel Clark	75.5
Sairyn Fawke	46

PROVINCIAL & COUNTRY TRAINER	WINS
Grant Young	44
Tony McEvoy	37
Sue Jaensch	29

PROVINCIAL & COUNTRY JOCKEY	WINS
Jamie Kah	76
Kayla Crowther	68
Todd Pannell	54

PROVINCIAL & COUNTRY APPRENTICE	WINS
Kayla Crowther	68
Raquel Clark	48
Justin Huxtable	31

JUMPS TRAINER	WINS
Eric Musgrove	8
Grant Young	4
Patrick Payne	2

JUMPS JOCKEY	WINS
Martin Kelly	7
Lee Horner	3
Steven Pateman	2





SA Thoroughbred Racing Industry Awards 2017/18

AWARD	WINNER
E.J. Mooney Medal for South Australian Jumps Jockey of the Year	Martin Kelly
South Australian Jumps Trainer of the Year	Eric Musgrove
Caitlin Forrest South Australian Provincial and Country Apprentice of the Year	Kayla Crowther
UBET SA Metropolitan Apprentice of the Year	Raquel Clark
Leon Macdonald Award for South Australian Apprentice of the Year	Raquel Clark
Evright.com South Australian Best Performed Horse	Exalted Lightning
Evright.com South Australian Best Performed Horse	Tequila Time
Most Outstanding Achievement Award by an Individual	Vilma Vawser
Most Outstanding Achievement by a Club	Strathalbyn Racing Club
UBET South Australian Provincial and Country Trainer of the Year	Grant Young
UBET South Australian Provincial and Country Jockey of the Year	Jamie Kah
Glennon-Johnson Award for 2017/18 South Australian Metropolitan Jockey of the Year	Jamie Kah
South Australian Jockey of the Year	Jamie Kah
South Australian Metropolitan Trainer of the Year	Tony McEvoy
2017-18 Media - Best Racing Picture	Terry Hann
2017-18 Media - Best Racing Story - Print or Online	Lincoln Moore
2017-18 Media - Best Racing Story - Broadcast	Adam McGrath
CS Hayes Award for 2017/18 South Australian Trainer of the Year	Tony McEvoy
2017/18 John Letts Medal	Jamie Kah
Festival Hire 2017/18 South Australian Champion Racehorse of the Year	Viddora

Hall Of Fame Inductions

Horse	Redelva
Associate	Harry Perks
Jockey	Clare Lindop

Chairman Of Stewards' Report



JOHAN PETZER
CHAIRMAN OF STEWARDS

The 2017/18 racing season was, by comparison, largely consistent with previous seasons insofar as it related to general activity within the Stewards department. The Department's functionality includes managing and maintaining integrity in the industry, and the expectation of industry participants, stakeholders and Thoroughbred Racing SA (TRSA) management is that we do so in a firm but fair and even-handed manner. Our key objective is to provide consistent, balanced and strong integrity leadership to the industry and, as in previous seasons, we trust we have done justice in this regard for the season under review. In delivering these objectives and functionalities, our goal is to provide all participants with an even playing field and with confidence so that they can compete in that environment.

International Partnerships

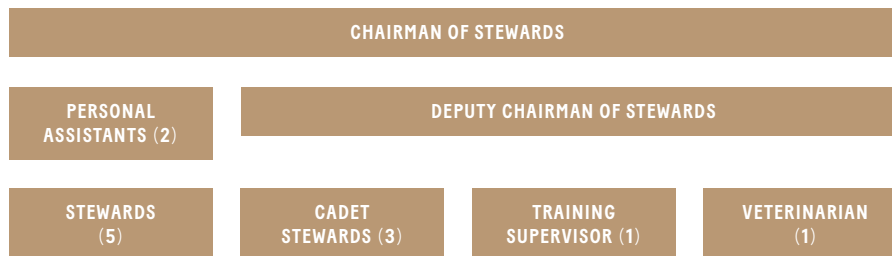
I am pleased to report that the partnership between TRSA and The Hong Kong Jockey Club (HKJC), in respect of the development and training of apprentice jockeys, and track work riders based in Hong Kong, is continuing and going from strength to strength. Our first two apprentices, Matthew Poon and Victor Wong are continuing their careers as apprentice jockeys in Hong Kong. Since the departure of Victor Wong, the HKJC has placed three further apprentice jockeys (Alfred Chan, Kenny Lau and Gary Lo) with TRSA for training and development. Alfred started his overseas

Stewards' Department – Functions

The Department provided, in broad terms, the following services:

RACEDAY	NON-RACEDAY	INQUIRIES INVESTIGATIONS APPEALS	ADMINISTRATIVE
• Officiating at Racemettings	• Official Trials	• Careless Riding	• Deputy Registrar
• Surveillance and sampling activity	• Approval to Race Jump-Outs	• Prohibited Substances	• Ownerships
• Veterinary Services	• Trackwork	• Banned Substances	• Leases
• Jumps Review Panel	• Stable Inspections	• Conduct matters	• Syndicates
• Surveillance and sampling activity	• Surveillance and sampling activity		• Lead Regulator
• Apprentice Academy	• Apprentice Academy		• Acceptances
			• Policy
			• Rules of Racing
			• Industry Training

Stewards' Department – Structure



training and development in New Zealand and transferred to Adelaide in December 2017. At the time of writing this report, I can confirm that an additional apprentice jockey has been approved by the HKJC to be placed with a trainer in Adelaide.

In addition to the apprentice jockeys referred to above, the HKJC has also placed a number of track work riders (6 in the past 12 months) with TRSA for further training and development.



SOPRESSA | 2018 Schweppes Oaks
TRAINER: Darren Weir | JOCKEY: Harry Coffey
PHOTO: Atkins Photography

SWABBING - HORSE SAMPLES TESTED DURING THE YEAR:

SAMPLE TYPE	2017/18	2016/17	2015/16
Post-race urine / blood samples	1419	1485	1453
Pre-race blood samples (TCO ₂)	1460	1031	1193
Post-race blood samples (TCO ₂)	5	5	10
Pre-race blood / urine samples	847	281	13
Post-trial urine samples	11	1	5
Non-Race Day samples	126	69	10
NUMBER OF POSITIVE TESTS	4	9	3
TOTAL SAMPLES	3868	2872	2687

Banned Substances (Human)

The testing of racing participants for the presence of banned substances is important and remains one of the core focus activities of the Department. The sampling activity for the past three racing seasons are detailed in the table below;

SAMPLE TYPE	2017/18	2016/17	2015/16	AVERAGE
Number of Samples (Urine)	75	83	84	81
Number of Samples (Breathalyser)	116	269	151	179
TOTAL NUMBER OF SAMPLES	191	352	235	259
NUMBER OF POSITIVES	10	13	3	9



FANATIC | 2018 UBET Adelaide Cup
 TRAINER: David & Ben Hayes & Tom Dabernig | JOCKEY: Michael Walker
 PHOTO: Atkins Photography

Prohibited Substances (Horse)
– Cobalt and Arsenic and major inquiries

The Department continued to test for Cobalt and Arsenic as part of the routine screening of urine and blood samples.

In total, the Department dealt with four prohibited substance matters during the racing season. The prohibited substances detected in these cases included; Arsenic, Phenylbutazone & Oxyphenbutazone, Meloxicam and Caffeine.

In addition to the prohibited substance matters reported, Stewards also had cause to deal with a matter, which involved an attempt to administer substances, to two horses engaged in a race, on race day. This matter also resulted in charges being laid against the participants concerned under AR.175(aa), for conduct which was intended to corrupt the outcome of a race. The decision taken by Stewards was confirmed on Appeal. The successful prosecution of those involved in this matter is testament to the unwavering resolve of the Department to ensure that all those who participate do so on a level playing field and should act as a strong statement by the Department to those who consider flaunting the rules of racing that TRSA will neither condone nor will it tolerate any conduct or behaviour which cuts at the core of our product and the industry – integrity.

The Department will continue to engage in testing and surveillance strategies to ensure a level playing field for all participants, protection of 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.



LEICESTER | 2018 UBET South Australian Derby
TRAINER: Darren Weir | JOCKEY: Damian Lane
PHOTO: Atkins Photography

Medical Panel

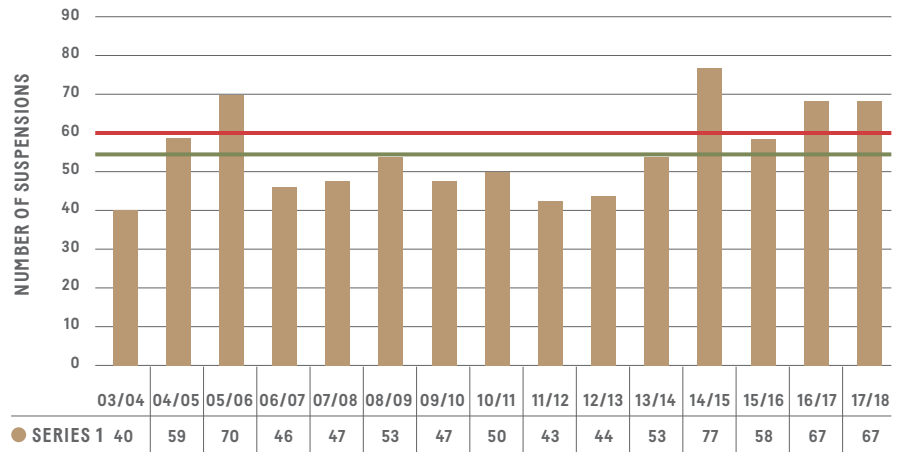
The TRSA Medical Panel continued to provide advice and services to the Stewards Department and remains an important and critical resource for the Department. The Panel comprised Dr. Stephen Kennett. Dr. Kennett conducted the baseline concussion tests for Jockeys and Apprentice Jockeys, which is a further important measure to ensure the safe return of riders after concussion related injury.

Racemeeting, disciplinary and related matters

There were 67 Careless Riding charges issued which resulted in a suspension of licence to ride in races. The Department remains vigilant to ensure riders ride in a competitive but safe manner. The accompanying graph illustrates the Department's activity in respect of Careless riding matters over the past 15 racing seasons.

In addition, Stewards conducted 28 non-race day investigations/inquiries into breaches of the Rules. The Department also conducted race day and non-race day stable inspections, which included surveillance and the identification & observation of horses engaged to participate at a race meeting. This strategy remains an area of focus for the Department and we will continue to build on our current efforts.

NUMBER OF SUSPENSIONS PER RACING SEASON



- 60 SUSPENSION THRESHOLD
- AVERAGE NUMBER OF SUSPENSIONS/SEASON OVER 15 SEASONS = 55 (ROUNDED).

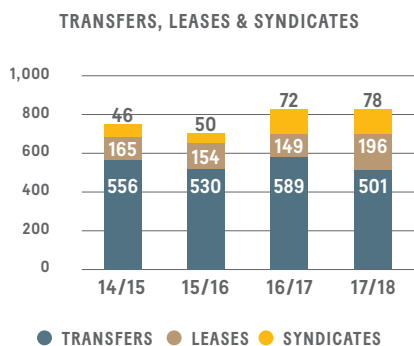
Licensing & Registration:

The following licences / registrations were processed by the Department –

LICENCED / REGISTRATION TYPE	2017/18	2016/17	2015/16
Trainers	294	315	311
Jockeys	40	36	30
Apprentices	17	17	17
Interstate Jockeys	64	62	69
Interstate Apprentices	23	19	22
Stablehands	537	474	495
Stablehands/ Trackwork Riders	140	173	198
TOTAL	1115	1096	1142

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.



Veterinary Services

The veterinary services were managed by Dr. Peter Horridge – TRSA Industry Veterinarian, and the Department was fortunate to again draw on his substantial experience as a veterinarian. Dr. Horridge’s longstanding involvement in the racing industry and professional collaboration with external third party veterinarians, who perform valuable work at a number of race meetings, ensured the highest standards of veterinary services at all racetracks in the State. The Department again acknowledges those veterinary surgeons who regularly assisted Dr. Horridge in the Metropolitan area, in particular veterinarians from the Morphettville Equine Clinic and Dr. Roger Haensel. Dr. Horridge represented TRSA at meetings of the Veterinary and Analysts Committee (VAC), a committee of Racing Australia. He continues to provide advice to the industry on veterinary and equine welfare matters, and in addition provides invaluable expert evidence/opinion at Stewards’ inquiries.

Jumps Review Panel

The Jumps Review Panel (JRP) monitored and assessed all relevant aspects relating to jumps racing in South Australia and members of the JRP were present at all race meetings, which included jumping events. The JRP reviewed all jumps races. The JRP also prepared a report on each jumping race after review and published the report on the TRSA website. Regular consultation occurred with Racing Victoria Limited’s Jumps Review Panel on relevant matters. The work performed by the JRP provided valuable assistance to the industry.

Apprentice Academy

Emily Finnegan was named Dux of the Apprentice Academy at the Annual Apprentice Academy Awards Evening and she was a worthy winner of this award. As part of being named the Dux, Emily rode in Singapore during the season and her riding talent was evident during her short visit. TRSA expresses their gratitude to UBET, and in particular to Tony Flanagan – UBET General Manager, South Australia, for their generous and longstanding sponsorship of the award, and also acknowledges the Singapore Turf Club for their longstanding, continued and valued support in this regard. The Academy had 15 apprentices enrolled, with two being granted permission to ride in races for the first time in the 2017/18 season, and two completing their apprenticeships. Attendance at the Academy on specified days remains mandatory, and additional riding skills sessions with smaller groups are conducted on a regular basis. During the season, TRSA entered into an arrangement with a new Registered Training Organisation (RTO), called Skillinvest, following TafeSA being unable to continue delivery of the courses required by participants in the industry. Skillinvest is very well credentialed, experienced and skilled in the delivery of qualifications to the racing industry, and TRSA is indeed pleased to have secured an arrangement and a partnership with Skillinvest and we look forward to a long and mutually beneficial business relationship.

TRSA also competed in the annual National Apprentice Series, with South Australia’s heat conducted at Gawler.

Liaisons and Contacts

The Department continued to liaise with a number of organisations and/or stakeholders on relevant matters, including various State and National bodies, and Racing Australia, and remained an active participant on the Racing Australia National Chairmen of Stewards Committee and the Veterinary and Analysts Committee.

Appreciation

I would like to express, as in previous years, my sincere appreciation to the Department’s staff for their dedication, unwavering and continuous professional approach, without which we would not be able to effectively manage our operations and deliver our services. Finally, I also thank TRSA senior management and the Board of TRSA for their support. Their dedication to ensure adequate resources are allocated to the integrity functions performed by the Department is appreciated and valued.



JOHAN. C. PETZER
CHAIRMAN OF STEWARDS

2018 FINANCIAL REPORT

Contents

THOROUGHBRED RACING S.A. LIMITED ABN 25 094 475 939
FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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FRENCH EMOTION | 2018 Hughes Limousines Queen of the South Stakes
TRAINER: Chris Waller | JOCKEY: Ben Melham
PHOTO: 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 2018 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 Chair of the Racing Australia Board and Vice Chair of the Asian Racing Federation. She is the Chair of the Parole Board of South Australia and holds board positions on a number of privately owned companies. 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 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. Simon is a member of the Oakbank Racing Club Inc.</p> <p>Member - Race Dates 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. 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 Grant 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 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 · Chairman - Marketing Committee</p>



LADY SILHOUETTE | 2017 Holdfast Insurance Brokers Gawler Cup
TRAINER: GARY SEARLE | JOCKEY: Dylan Caboche
PHOTO: Meaghan Coles

Directors continued:

NAME AND QUALIFICATIONS	EXPERIENCE AND SPECIAL RESPONSIBILITIES
Mrs Judith Jones	<p>Judith currently consults to Local Government in South Australia, specialising in governance. She has significant experience in the racing industry and was Chairperson of the Gawler and Barossa Jockey Club for five years and a member of the South Australian Racing Clubs Council for four and a half years. Was a joint proprietor of a large education and pretraining centre for thoroughbreds, and breeds and races thoroughbreds. She was previously Chief Executive Officer of The Barossa Council for ten years, acting Chief Executive Officer for a number of Councils as well as the East Waste Management Authority, and a Board member of Zero Waste SA.</p> <p>Member - Race Dates Committee. Appointed October 2016.</p>
Mr Iain Evans	<p>Iain is a former Racing Minister and worked with Racing to abolish the Government Racing Boards and establish Industry based Boards. He served in the State Parliament for 21 years including 5 years as a Minister. He was Leader and Deputy Leader of the Opposition. Prior to politics he operated a family retail and building business. He now works as a Company Director and is Chair of Lenswood Cold Stores Co-operative Ltd and on the Citrus Australia Board.</p> <p>Member – Marketing Committee. Appointed October 2016.</p>
Mr Steve Kelton	<p>Steve joined TRSA having served 6 years as a Board member of the SAJC. The Kelton family has been closely involved with racing for more than 70 years. Steve's background is in the executive management of education and training. He works part time as a consultant specializing in leadership development and change management. He is active in Vinnies and as a member of State Council provides leadership and coordination in the Southern Region. He is a Justice of the Peace working in Courts and in the community.</p> <p>Member - Race Dates Committee</p>

Company Secretary:

At the end of the financial year was Mr Nicholas Redin BSc (Acc). Nick is the Chief Operating Officer of Thoroughbred Racing SA Ltd.



BALF'S CHOICE | 2017 The Advertiser Newspapers Balaklava Cup
TRAINER: Ryan Balfour | JOCKEY: William Pike
PHOTO: Meaghan Coles

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 funding distribution, 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, both domestic and international, 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 \$1,027,096.

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:

- Ongoing discussion with both major political parties on the size and importance of the Racing Industry in South Australia.
- A commitment from the South Australian Government for ongoing support following the introduction of the Betting Operations Tax.
- Commence racing at 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.
- Continue to develop and grow the Adelaide Festival of Racing Carnival, including seeking a renewal of the funding from the State Government, for 2 years, towards prize money and marketing/promotion, to enable South Australia's \$1 M races to continue.
- 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.
- Commence racing at the redeveloped Mt Gambier racecourse following the successful application for a Federal Government Grant under the Building Better Region Funds.
- Continue to work with Clubs to ensure there is efficiency across the administration, marketing and track management 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 Frances Nelson QC	11	1		1	1
Mr David Rasheed	11	1		1	
Mr Simon Ward	11			1	
Mr Grant Harrison	10	1	2		
Mrs Judith Jones	11			1	
Mr Iain Evans	10		1		
Mr Steve Kelton	11			1	
TOTAL MEETINGS HELD	11	1	2	1	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 2018.

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 31st day of August 2018.

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 2018, 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 31st day of August, 2018.

**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

	NOTE	2018 \$	2017 \$
Revenue	2	68,134,101	62,731,486
Financial income	3	358,749	400,069
Prizemoney & Unplaced Subsidies		(43,072,953)	(41,426,989)
SABOIS Bonuses		(1,245,900)	(1,489,350)
Industry payments	4(a)	(15,453,477)	(11,325,179)
Employee expenses		(4,228,730)	(4,004,158)
Depreciation expense		(261,252)	(223,298)
Legal & Professional Fees		(113,618)	(97,868)
Other expenses	4(b)	(5,144,016)	(4,144,543)
NET SURPLUS/ (DEFICIT) FROM OPERATING ACTIVITIES		(1,027,096)	420,170
OTHER COMPREHENSIVE INCOME:			
Net fair value gain on re-measurement of investments in equity securities available-for-sale		29,120	44,656
Revaluation of Investment in Racing Australia Ltd		846,885	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(151,091)	464,826

The accompanying notes form part of these financial statements.



SURVIVED | 2018 Scott Group of Companies Mount Gambier Gold Cup
 TRAINER: Archie Alexander | JOCKEY: Declan Bates
 PHOTO: Todd's Photographics

Statement of Financial Position

	NOTE	2018 \$	2017 \$
ASSETS: CURRENT ASSETS			
Cash and cash equivalents	5	5,715,830	14,199,022
Trade and other receivables	6	14,171,311	5,727,634
Other assets	7	78,381	188,895
TOTAL CURRENT ASSETS		19,965,522	20,115,551
NON-CURRENT ASSETS			
Plant and equipment	8	940,389	950,861
Financial assets - Investments	9	3,242,131	1,343,437
TOTAL NON-CURRENT ASSETS		4,182,520	2,294,298
TOTAL ASSETS		24,148,042	22,409,849
LIABILITIES: CURRENT LIABILITIES			
Trade and other payables	10	3,914,214	3,081,288
Provisions	11	708,336	624,856
Other liabilities	12	296,110	393,886
TOTAL CURRENT LIABILITIES		4,918,660	4,100,030
NON-CURRENT LIABILITIES			
Provisions	11	31,770	33,589
Other liabilities	12	1,265,573	193,100
TOTAL NON-CURRENT LIABILITIES		1,297,343	226,689
TOTAL LIABILITIES		6,216,003	4,326,719
NET ASSETS		17,932,039	18,083,130
EQUITY			
Reserves	13	1,186,788	310,783
Retained profits		16,745,251	17,772,347
TOTAL EQUITY		17,932,039	18,083,130

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

	FINANCIAL ASSET RESERVE	RETAINED PROFITS	TOTAL
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
Net surplus for the year	-	420,170	420,170
Other Comprehensive Income for the year	44,656	-	44,656
BALANCE AS AT 30 JUNE 2017	310,783	17,772,347	18,083,130
Net surplus for the year	-	(1,027,096)	(1,027,096)
Other Comprehensive Income for the year	876,005	-	876,005
BALANCE AS AT 30 JUNE 2018	1,186,788	16,745,251	17,932,039

The accompanying notes form part of these financial statements.



LAKE JACKSON | 2018 MGA Insurance Brokers Port Lincoln Cup
 TRAINER: Angela Forster | JOCKEY: Jeffrey Maund
 PHOTO: Meghan Coles

Statement of Cash Flows

	NOTE	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts in the course of operations		67,400,654	68,882,753
Payments in the course of operations		(76,186,069)	(67,718,603)
Interest received		321,727	363,631
Dividends received		37,022	36,438
Loans (to) / repayments from Clubs		175,345	44,656
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	14	(8,251,321)	1,608,875
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(250,780)	(246,482)
Loans to l from External Parties		18,908	-
NET CASH (USED IN) INVESTING ACTIVITIES		(231,872)	(246,482)
NET INCREASE / (DECREASE) IN CASH HELD		(8,483,193)	1,362,393
Cash and cash equivalents at the beginning of the financial year		14,199,023	12,836,629
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	5	5,715,830	14,199,022

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

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 31 August 2018.

(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 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.

(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

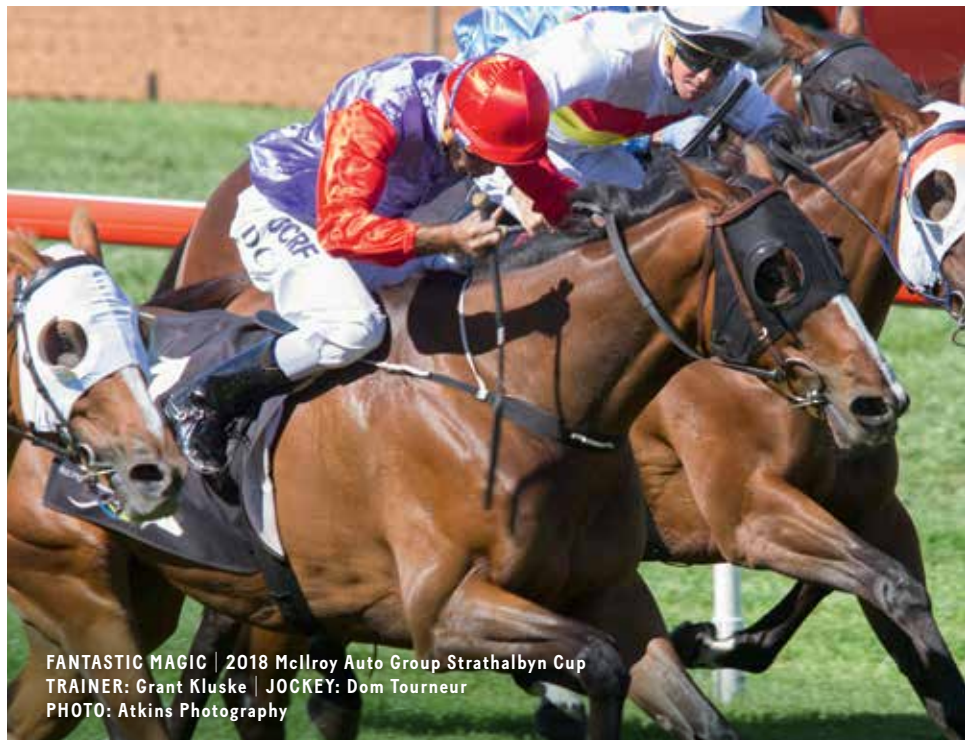
At the end of each reporting period, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has 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.



TEQUILA TIME | 2018 UBET South Australian Sires' Produce Stakes
TRAINER: Leon Macdonald & Andrew Gluyas | JOCKEY: Clare Lindop
PHOTO: Meaghan Coles



FANTASTIC MAGIC | 2018 McIlroy Auto Group Strathalbyn Cup
TRAINER: Grant Kluske | JOCKEY: Dom Tourneur
PHOTO: Atkins Photography

(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.

(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.

2. Revenue

	2018	2017
	\$	\$
TAB Product Fees and Wagering Tax Relief	33,328,173	33,934,937
South Australian Government Prizemoney Grant	3,000,000	3,000,000
South Australian Government BOT Grant	4,054,344	-
Screening & International Rights	3,458,589	1,685,608
SABOIS subscriptions	295,900	305,267
Registration fees	208,396	213,572
Publications	75,813	80,059
Other	2,238,980	566,916
	46,660,195	39,786,359
Gross Betting Operations Contributions	29,315,233	30,345,897
Less: Interstate Race Field Fees Paid	(7,841,327)	(7,400,770)
Net Betting Operations Contributions	21,473,906	22,945,127
TOTAL REVENUE	68,134,101	62,731,486
	68,134,101	

During the course of the year, the Company received grants from the SA Government totalling \$7,054,344, (2017: \$3,000,000). \$3,000,000 towards the marketing and prizemoney for the Adelaide Festival of Racing and \$4,054,344 to compensate the thoroughbred racing industry for the impact of the Betting Operations Tax (BOT) introduced by the State Government and effective from 1 July 2017.

The increase in Other revenue arises from the contra received as part of the vision rights negotiations and TRSA's share of the revenue arising from the retail exclusivity negotiations between the State Government and UBET.

3. Financial Income

Interest income	321,727	363,631
Dividend income	37,022	36,438
TOTAL FINANCIAL INCOME	358,749	400,069

4. Expenditure	2018	2017
(A) INDUSTRY PAYMENTS	\$	\$
Training Grants and Raceday Usage payments	2,587,017	2,487,580
Race Day Payments & Costs	3,087,489	2,037,303
Club Promotion and Operational purposes	2,350,595	1,603,895
Club Capital Expenditure	5,400,800	3,474,891
Workcover & Insurance - Jockeys	1,298,404	1,047,965
Industry Staff Costs	729,172	673,545
TOTAL INDUSTRY PAYMENTS	15,453,477	11,325,179

(B) OTHER EXPENSES		
Advertising & Marketing	2,151,950	1,319,869
Marketing Professional Fees	189,258	146,993
Publication Expenses	284,411	315,675
Swab & Veterinary Supplies	561,690	467,665
Other	1,956,707	1,894,341
TOTAL OTHER EXPENSES	5,144,016	4,144,543

The increase in Advertising and Marketing Expense is mainly due to the contra received for advertising as part of the vision rights negotiations, there is a corresponding increase in revenue as noted in (2) above.

(C) AUDITOR REMUNERATION

Remuneration of the auditor of the Company for:

AUDIT OF THE FINANCIAL REPORT	17,300	16,900
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5. Cash and cash equivalents

	2018	2017
CURRENT	\$	\$
Cash at bank and on hand	4,512,971	13,935,975
Short-term bank deposits	1,202,859	263,047
	5,715,830	14,199,022

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 2018 is \$699,604 (2017: \$591,703). 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	5,715,830	14,199,022
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6. Trade and other receivables

CURRENT		
Trade receivables	9,059,045	2,620,127
Other receivables	3,960,693	1,780,589
Loans to Thoroughbred Racing Clubs - secured	1,151,573	1,326,918
	14,171,311	5,727,634

The increase in trade receivables over the prior year relates to several large items that all occurred in June 2018, namely the State Government grant for BOT as noted in (2) above, the increase in the domestic vision rights compared to the same quarter for last year and TRSA's share of the revenue arising from the retail exclusivity negotiations also as noted in (2) above. These amounts were all received in July 2018.

The increase in other receivables relates to the accrual of the final tranche of the Federal Government Grant Funding for the redevelopment of the Mt Gambier track and the accrued contra advertising revenue arising from the vision rights negotiations.

7. Other assets

CURRENT		
Prepayments	78,381	188,895
	78,381	188,895

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 were fully amortised as at 30 June 2018. (2017: \$110,180).

8. Plant and equipment

	2018	2017
	\$	\$
NON-CURRENT		
Plant and equipment - at cost	4,090,149	3,839,742
Less: accumulated depreciation	(3,149,760)	(2,888,881)
TOTAL PLANT AND EQUIPMENT	940,389	950,861

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	950,861	927,677
Additions at cost	250,780	246,482
Disposals - written-down value	-	-
Depreciation expense	(261,252)	(223,298)
CARRYING AMOUNT AT END OF YEAR	940,389	950,861

9. Financial assets - Investments

NON-CURRENT

- Investment in Racing Australia Pty Ltd	1,301,522	454,637
- Loan Burke Urban Gifford Hill	1,022,689	-
Available-for-sale financial assets		
- Listed equity securities available for sale	917,920	888,800
	3,242,131	1,343,437

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 2018.

The loan to Burke Urban Gifford Hill forms part of the \$SM loan facility provided to the Burke Urban Gifford Hill Joint Venture to complete the new race course and facilities for the Murray Bridge Racing Club at Gifford Hill. The balance of the loan funds (\$3,977,311) will be drawn during the course of the 2018/19 Financial Year. The loan is secured against the existing Murray Bridge Racecourse land.

10. Trade and other payables

CURRENT

Trade payables	1,422,345	755,031
Other payables and accruals	2,491,869	2,326,257
	3,914,214	3,081,288

11. Provisions

	2018	2017
	\$	\$
CURRENT		
Employee benefits - annual leave	287,282	224,808
Employee benefits - long service leave	421,054	400,048
	708,336	624,856
NON-CURRENT		
Employee benefits - long service leave	31,770	33,589
	31,770	33,589
TOTAL PROVISIONS	740,106	658,445
Opening balance at 1 July 2017	658,445	685,366
Net provisions movement during the year	81,661	(26,921)
BALANCE AT 30 JUNE 2018	740,106	658,445

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 10) to these financial statements.

The amount of Long Service Leave shown in Current Liabilities has been calculated in accordance with AASB119. It does not necessarily represent the amount that will be taken by employees as Long Service Leave during the course of the 2018/19 Financial Year and as such is not a true representation. Historically approximately \$50,000 of Long Service Leave in total has been taken by employees in any one year.

12. Other liabilities

CURRENT		
Income received in advance	296,110	393,886
	296,110	393,886
NON-CURRENT		
Income received in advance - general	223,976	193,100
Income in advance - TABCorp Ltd	1,041,597	-
	1,265,573	193,100
TOTAL OTHER LIABILITIES	1,561,683	586,986

13. Reserve

	2018	2017
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 / (DEFICIT) FOR THE YEAR TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Net surplus / (deficit) for the year	(1,027,096)	420,170
Add/(less) non-cash items:		
- Amounts set aside to provisions	81,661	(26,921)
- Depreciation expense	261,252	223,298
Net cash from operating activities before change in assets and liabilities	(684,183)	616,547
Change in assets and liabilities during the period:		
- (Increase) / Decrease in trade receivables	(6,438,918)	(302,737)
- Decrease / (Increase) in other receivables	(2,180,104)	617,639
- Decrease in loans to Thoroughbred Racing Clubs	175,345	44,046
- Decrease in other assets	110,514	122,142
- increase in trade payables	667,314	133,282
- (Increase) / Decrease in other payables and accruals	165,611	775,032
- (Decrease) in income received in advance	(66,900)	(397,076)
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	(8,251,321)	1,608,875

2018	2017
\$	\$

15. Related party transactions

KEY MANAGEMENT PERSONNEL COMPENSATION

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

Short term employee benefits	769,724	735,445
Post-employment benefits	72,508	71,670
	842,232	807,115

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, Mrs J Jones and Messers D Rasheed, S Ward, G Harrison, I Evans and S Kelton.

DIRECTORS COMPENSATION

The Directors compensation included in employee expenses are as follows:

Short-term employee benefits - Directors remuneration	205,598	205,600
Post-employment benefits	14,402	14,402
	220,000	220,002

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)	46,685	29,724
Mr D.Rasheed	Professional Services	(II)	10,350	29,382

(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.

15. 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:

	2018	2017
	\$	\$
Current trade and other payables		
TRADE PAYABLES	8,177	1,150

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 allocated contra and made payments totalling \$3,337,761 (2017: \$2,525,132) 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.

COUNTRY RACING SA INC

Country Racing SA Inc. (CRSA) 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 \$69,136 (2017 \$40,000) to CRSA during the year for operational purposes, this included a back dated payment for CPI adjustments for 2012-2017 of \$ 11,989. These payments are included in the expense item Industry Payments in Statement of Profit or Loss and Other Comprehensive Income.

The members of CRSA 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 allocated contra and made payments totalling \$7,976,591 (2017 : \$4,736,771) 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 CRSA, 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 \$1,151,573 at 30 June 2018 (2017: \$1,326,918). The loans are secured or capable of being secured. Interest earned by the Company amounted to \$8,078 (2017: \$13,478) and is included in Financial Income in the Statement of Profit or Loss and Other Comprehensive Income.

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 2018 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), 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 be completed in the 2018/19 Financial Year.

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 total contribution made towards the project as at the year ended 30 June 2018 was \$169,505 (2017: \$93,616). The fee was increased to \$2.00 from 1 July 2018 onwards to accommodate the development of additional functionality and to expedite the completion of this system.

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:

	NOTE	2018 \$	2017 \$
FINANCIAL ASSETS			
Cash and cash equivalents	5	5,715,830	14,199,022
Receivables and loans	6	14,171,311	5,727,634
Investments	9	3,242,131	1,343,437
TOTAL FINANCIAL ASSETS		23,129,272	21,270,093

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		29,120	44,656
TOTAL GAINS AND (LOSSES) RECOGNISED IN OTHER COMPREHENSIVE INCOME		29,120	44,656

FINANCIAL LIABILITIES

Financial liabilities at amortised cost

- Trade and other payables	10	3,914,214	3,081,288
TOTAL FINANCIAL LIABILITIES		3,914,214	3,081,288

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. Leasing Commitments

	2018	2017
	\$	\$
(A) OPERATING LEASES		
Minimum lease payments under non-cancellable operating leases:		
- Not later than one year	104,735	104,735
- between one and five years	102,267	207,002
TOTAL FINANCIAL ASSETS	207,002	311,737

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 outstandings and obligations of the Company. At 30 June 2018 the number of members was 2.



ALDOLPHIN | 2018 City of Port Augusta Cup
TRAINER: Sue Nolan | JOCKEY: Alice Lindsay
PHOTO: Meaghan Coles

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 10 to 26, 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 2018 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 31st day of August, 2018

Independent Auditor's Report



Thoroughbred Racing SA Limited Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Thoroughbred Racing SA Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Company, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CHARTERED ACCOUNTANTS & ADVISORS

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Other Information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 Requirements 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.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our independent auditor's report.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

A handwritten signature in black ink that reads 'William Buck'.

William Buck
ABN: 38 280 203 274

A handwritten signature in black ink that reads 'G.W. Martinella'.

G.W. Martinella
Partner

Dated this 31st day of August, 2018.



- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

William Buck

William Buck
ABN: 38 280 203 274

G.W. Martinella

G.W. Martinella
Partner

Dated this 25th day of August, 2017.



EXCITES ZELADY | 2017 Carlton Draught Murray Bridge Gold Cup
TRAINER: Chris Bieg | JOCKEY: Justin Potter
PHOTO: Atkins Photography



Thoroughbred Racing SA Limited
Morphettville Racecourse, Morphettville, SA 5043