

Thoroughbred Racing SA



ANNUAL REPORT



2019 ANNUAL REPORT

Contents

| | |
|---|-----------|
| Chairman's Report | 4 |
| Chief Executive Officer's Report | 6 |
| Chairman of Stewards' Report | 18 |
| Financial Report | 24 |

* ALL RACING PHOTOS COURTESY OF ATKINS PHOTOGRAPHY,
TODD'S PHOTOGRAPHICS AND MEAGHAN COLES

COVER IMAGE:

SURPRISE BABY | 2019 TAB Adelaide Cup
TRAINER: Paul Preusker | JOCKEY: Dean Holland
PHOTO: Atkins Photography

THIS PAGE:

DESPATCH | 2019 The Goodwood
TRAINER: Tony McEvoy | JOCKEY: Todd Pannell
PHOTO: Atkins Photography





Chairman's Report



FRANCES NELSON QC
CHAIRMAN

The 2019 financial year was an extremely challenging one for the SA Racing Industry. There was uncertainty whether funding from the State Government would eventuate and the possibility of continued adverse actions by the Corporate Bookmakers due to SA's high Place of Consumption (POC) tax rate. Lack of predictability of revenue impacted upon the TRSA Board's ability to plan and invest. This led to the TRSA Board having to make the tough decision in December last year to cut its proposed Capital expenditure programme of \$2.25M for FY19, and to reduce prize money for the Group and Listed races across our Carnival with the new Government declining to continue the \$3M funding received from the previous Government.

Submission to State Government

A detailed Submission and Briefing Paper, on behalf of the three Racing Codes, had been prepared and tabled with the then Labor Government and Liberal Opposition prior to the 2018 election, seeking Government support for the Industry. This ultimately led in part to the \$4.85M one-off reimbursement for lost BOC revenue in FY18 due to the POC tax introduction in SA, in July 2017.

Upon receiving the Treasurer's advice in December last year that Government would not continue to provide the \$3M contribution

towards our Carnival, and that he would not consider the provision of industry funding from Government outside the State Budget process, we were requested to provide a further formal Business Case for funding support by way of a 2019 State Budget Submission. Considerable work went into what was considered to be an excellent Submission on behalf of the industry. In preparing our Submission, TRSA met and liaised with representatives of its Shareholders, the SAJC and Country Racing SA, as well as representatives of the sector groups; trainers, owners, jockeys and breeders. When the Submission was tabled with the Treasurer, it included an endorsement from all of the sector groups.

A detailed campaign was implemented, under the banner "Support SA Racing Jobs", which involved mainstream media, digital and social media, and face-to-face approaches. TRSA Board and Management arranged many face-to-face meetings with several Cabinet Ministers and backbenchers, to ensure as many as possible were fully briefed and understood our Submission. Importantly, that they fully understood and appreciated the importance of the SA racing industry as an employer and contributor to both the State's economy and our communities, especially in regional South Australia.

We also gained outstanding support from several of SA's business leaders, who lobbied with Government on our behalf. Six of SA's key business/community leaders - namely Rob Gerrard, Alister Haigh, John Haigh, Robert Hill-Smith, Wolf Blass and Darren Thomas, sent a joint personal letter to the Premier and Treasurer, urging their support for the Industry's Submission. We are extremely grateful to them all.

State Government Support

Finally TRSA and the Industry were rewarded for their efforts when, virtually on the eve of the State Budget, the Minister for Recreation, Sport and Racing, the Hon Corey Wingard,

announced a \$24M stimulus package for the SA Racing Industry, the Thoroughbred Code share of which is approximately \$17.03M over FY19-FY23.

The funding for FY20 to FY23 of approximately \$4M pa, of which Thoroughbred's share will be approximately \$2.8M pa (or \$11.2M over the 4 years) had contingencies attached, with governance changes stipulated as Special Conditions, with similar conditions applying to all three Codes. The most immediate of the required governance changes was in relation to the TRSA Constitution, specifically the Board appointments process. The Shareholders (the SAJC and Country Racing SA) were required to change the TRSA Constitution to provide for; a new Directors Selection Panel, which would include one appointee from each of the two Shareholders, and three endorsed by the Minister for Recreation, Sport and Racing, with the Directors Selection Panel nominated Directors also required to be endorsed by the Minister. These changes were required to be implemented for the 2019 TRSA Directors' appointments process, and at a Special General Meeting on 8 August the Shareholders approved the necessary changes to the Constitution, thus complying with this condition and enabling TRSA to receive the Government funding.

By way of summary, the funding to the Racing Industry as provided in the 2019 State Budget in June, was for \$24M across the three Racing Codes (Thoroughbreds, Harness and Greyhounds), for FY19 to FY23, with;

- \$8M for FY19, distributed to the three Codes by way of Market Share, as determined by the Racing Inter Code Agreement.
- 50% of the \$8M funding to be applied to Infrastructure and Strategic projects, as approved by the Minister, with 50% discretionary expenditure, noting the need to show a measurable positive outcome for the industry.

- Thoroughbred's share of the \$8M, based on the effective thoroughbred Market Share (72.9%), was \$5.73M.
- Approximately \$4M per annum over the next four years, across the three Codes, also distributed to each Code as per Market Share. [Specifically, the funding is 10% of the State wagering revenue from the Betting Operations Tax (the POC tax in SA)].
- Thoroughbred's share of the annual funding for the four years is likely to be approximately \$2.8M pa.

We are grateful to Government for this support. Further, we are encouraged by the several statements made by the Minister for Racing, the Honourable Corey Wingard, of the intention to work with and partner with the industry. We believe this is a positive step for the future.

Racecourse Developments

NEW MURRAY BRIDGE RACECOURSE:

The new Murray Bridge Racecourse was finally commissioned this year with the Official Opening by His Excellency The Governor, of the Murray Bridge Racing Club's new racecourse at Gifford Hill on 10 August.

We have received pleasing and positive comments from many trainers and jockeys in relation to the quality of the new track, with SA's leading trainer Tony McEvoy noting he has walked on racetracks across Australia and overseas and has not been on one better. Race meetings at the new track have been highlighted with large fields and competitive racing with all runners having a fair chance on what is a state-of-the-art modern track with excellent cambers, drainage and a range of chutes for various starting positions. The stalls area is in a fully enclosed barn while the patron facilities were specifically designed as a multi-purpose function centre, which is something desperately needed in the region.

MT GAMBIE RACE TRACK:

The full reconstruction of the Mt Gambier track was completed in May 2018 with the first meeting on what is effectively a new track, held on 12 April 2019 ahead of Mt Gambier Cup day on 10 May. The benefit of the extensive drainage work undertaken as part of the reconstruction was clearly proved, when despite 40+ mls of rain falling in the day prior to Cup Day, the track rated as only a Soft 6 on raceday.

The \$3.175M Mt Gambier track reconstruction was funded by \$1.675M from TRSA's industry funds and a \$1.5M Federal Grant.

BORDERTOWN RACECOURSE RACEDAY FACILITIES:

The new Bordertown Racecourse raceday facilities and functions area has also been completed, and provides not only an important upgrade of the raceday facilities, but also an important local facility non-raceday.

Prize Money Increases

While they were announced in August this year, post FY19, it is appropriate that I provide details of these prize money increases, which have been funded in part from the FY19 Government funding.

The \$5.8M pa in prize money increases announced by TRSA are of course significantly more than the \$2.8M pa Government funding being received by TRSA. However the TRSA Board considered it had to be bold with its increased prize money commitment if there was to be a positive effective impact on reinvigorating the industry. The four key components enabling the prize money increase are;

- Utilisation of the \$2.8M of TRSA's discretionary component of the \$8M funding for FY19.
- The annual \$2.8M funding for FY20-FY23.
- Realignment of prize money distribution for 5th to 8th at Provincial and Country race meetings instead of Unplaced Subsidy for those placings.
- Some budgeted wagering uplift.

METROPOLITAN PRIZE MONEY INCREASES

- Previous \$45K races go to \$50K [+11%]
- Previous \$35K Non-Maiden races increase to \$40K [+14%]
- Maidens \$35K (up from \$30K) [+17%]

PROVINCIAL PRIZE MONEY INCREASES

- Non-Maidens \$20K (up from \$15K) [+33%]
- Maidens \$17.5K (up from \$13K) [+35%]

COUNTRY PRIZE MONEY INCREASES

- Non-Maidens \$15K (up from \$12K) [+25%]
- Maidens \$13K (up from \$10K) [+30%]
- Country Cups \$25K (up from \$20K) [+25%]

Conclusion

I take this opportunity once again to express my thanks to my colleagues on the Board of TRSA and to our skilled and dedicated management team headed by our CEO Jim Watters, most ably assisted by our COO Nick Redin, Chairman of Stewards Johan Petzer, Marketing Manager Michelle Greene, and all the staff of TRSA.

I again convey my thanks and appreciation 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

Chief Executive Officer's Report



JIM WATTERS
CHIEF EXECUTIVE OFFICER

Thoroughbred Racing SA's 2019 Annual Report and 2018/19 Financial Statements are available on our website www.theracessa.com.au.

Financial Year 2019 was certainly a year of highs and lows for the South Australian racing industry, but pleasingly the year ended on a positive note. For virtually all of FY19 much of TRSA's efforts and energy was expended towards securing funding from the State Government in recognition of both the ongoing adverse impact of SA's POC tax, with SA's tax rate being the equal highest in Australia, and the importance of the SA racing industry as a significant employer and contributor to the State's economy.

While in June 2018 the State Government had provided a one-off return of \$4.85M to the South Australian racing industry "to protect local jobs and help offset losses incurred" reimbursing the industry for its direct revenue loss (due to the POC tax), the Government declined at that time to commit to similar support for FY19. In December 2018 the State Treasurer announced that the Government would not continue providing the \$3M prize money contribution towards the Adelaide Racing Carnival as had been provided by the previous Government in the prior two years, and that no consideration as to any potential ongoing funding would be made until the State Budget in June 2019.

Faced with the \$3M loss in prize money contribution and the potential for a significant operating loss due to the lack of certainty around potential funding, the TRSA Board had no alternative in December last year to announce a \$2.25M cut in infrastructure funding to our 25 Clubs, and a reduction in prize money for the Adelaide Carnival of \$1.55M.

Under the banner "Support SA Racing Jobs", TRSA vigorously continued its campaign seeking funding from the State Government by way of a fair share of the revenue being collected by Government through the POC tax, budgeted to be a net \$16M to Government. All sectors of the local industry, supported also by key business leaders in SA who recognised the importance of the local racing industry, worked cohesively to secure Government support.

After the low of the December 2018 announcements, TRSA and the Industry's efforts finally paid dividends in June 2019 when the Minister for Recreation, Sport and Racing announced on 8 June that the 2019 State Budget would include a \$24M stimulus package for the SA racing industry (across the three Codes). The package comprised an \$8M payment in FY19 and approximately \$4M per annum for the following four years, FY20 to FY23, with the apportionment of the funding between the Codes to be based on Market Share as defined in the State's Racing Inter-Code Agreement.

TRSA's share of the \$8M funding for FY19 was \$5.734M, while the Thoroughbred Code will receive approximately \$2.8M in each of FY20 to FY23. Of the funding for FY19, \$2.867M is required to be applied to Infrastructure and Strategic projects, and with this component, projects are required to be tabled with the Minister for the Minister's approval, with the approved projects to be undertaken in FY20.

NOTING THE ABOVE, THE FOLLOWING HIGHLIGHTS THE VARIOUS ASPECTS OF TRSA'S OPERATIONS IN FY19.

Financial highlights for the year were:

Total Revenue basically flat at
-0.7%
on previous year

Total Revenue reflects a
\$1.661M
reduction in SA
Government Grants

11.8%
increase in net BOC revenue
from interstate wagering
operators wagering on
SA thoroughbreds

Prize Money, including
SABOIS payments, down by
\$2.53M
(following \$3M State Government
prize money funding not
being received)

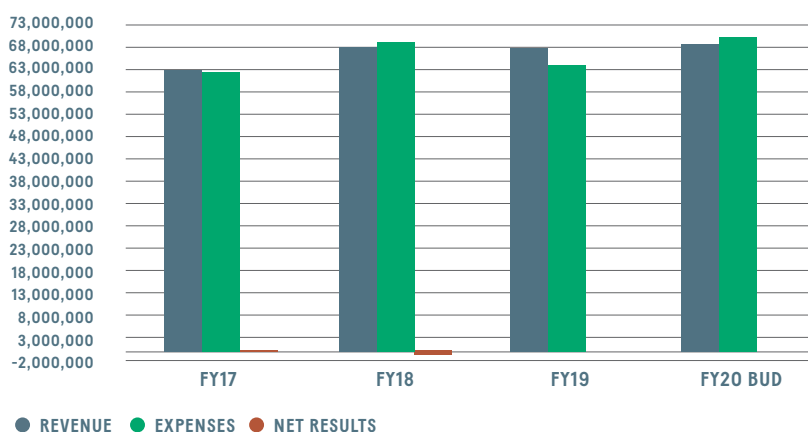
Key Financial Results

TRSA recorded an operating surplus of \$4.632M for the 2019 financial year, \$4.454M ahead of the FY19 Budget adopted by the TRSA Board. However the surplus recorded includes the \$2.867M of the State Government funding required to be applied to approved Infrastructure and Strategic projects (in FY20).

For the 2018/19 financial year, TRSA's total payments to and on behalf of the Industry fell by \$3.474M (-28.4%). This included a \$3.839M reduction in Capital Expenditure, as a result of the uncertainty as to any Government funding

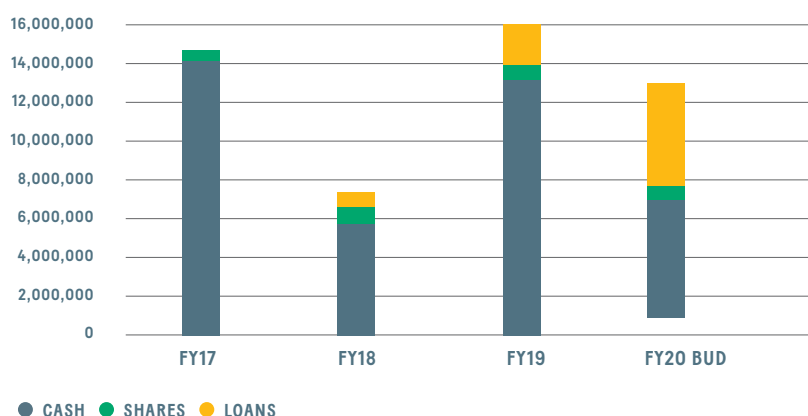
Overall Company Profitability and Reserves

The chart below shows the Company's operating results for FY17 through to FY19 and the FY20 budget.



| | FY17 | FY18 | FY19 | FY20 BUD |
|------------|------------|-------------|------------|-------------|
| Revenue | 63,131,555 | 68,492,850 | 68,048,137 | 68,773,837 |
| Expenses | 62,711,385 | 69,519,946 | 63,587,517 | 70,222,364 |
| NET RESULT | 420,170 | (1,027,096) | 4,460,620 | (1,448,527) |

The chart below shows the Company's cash reserves and value of share holdings for FY17 through to FY19 and the FY20 Budget.



| | FY17 | FY18 | FY19 | FY20 BUD |
|--------|------------|-----------|------------|-----------|
| Cash | 14,199,022 | 5,715,830 | 13,131,500 | 6,066,381 |
| Shares | 888,800 | 917,920 | 942,534 | 945,000 |
| Loan | 0 | 1,022,689 | 4,318,099 | 5,000,000 |
| TOTAL | 15,087,822 | 6,633,750 | 14,074,034 | 7,011,381 |

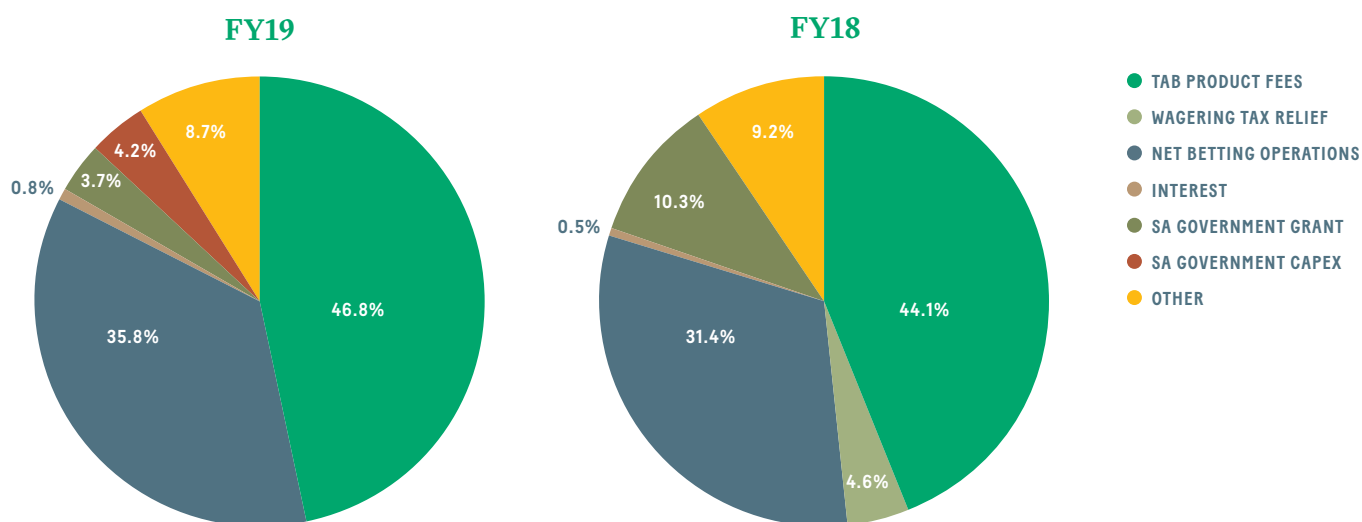
being received. Included in this reduction are Prize Money and SABOIS payments which fell by \$2.53M (-6.1%) with the Carnival prize money cuts following the advice by the State Government that it would not renew the \$3M funding which had been provided by the previous Government for the 2017 and 2018 Adelaide Carnivals. TRSA's own contribution to prize money and SABOIS was effectively up \$470K, and the only cuts to prize money were those made to the Group races over the Adelaide Carnival. However direct payments to, or on behalf of Clubs, increased by \$416K. These payments included; Training Grants and Race Day Usage payments, Race Day Payments & Costs, Club Promotion and Operational purposes.

Total Revenue for 2018/19 fell by \$445K (-0.7%), impacted by the \$1.661M reduction in State Government funding. TRSA's combined revenue from wagering was up \$1.381M at \$56.189M. However net revenue from BOC was up \$2.86M (+11.8%) while TRSA's revenue from SA TAB (combined TAB Product Fees and Wagering Tax Relief) was down \$1.474M (-4.2%), which is particularly concerning.

While TRSA's home TAB (Tabcorp-SA) continues to be the largest single contributor to TRSA's total revenue, it continues to fall as a percentage of our total revenue, and in FY19 represented 46.8% following the \$1.474M decrease on the previous year, with the net BOC Revenue growing to be 35.8% of TRSA's total revenue, following the \$2.86M increase year-on-year. As noted in last year's Annual Report the declining relativity of TRSA's revenue from Tabcorp-SA is extremely concerning and disappointing, and TRSA continues to raise its concerns regularly with Tabcorp as to their performance in SA. We continually seek advice as to their strategies to arrest the sliding returns to the SA racing industry, especially in light of the improvements Tabcorp had earlier advised as achievable with their merger with UBET. Latest advice is that it will be mid 2020 before we can anticipate any real benefits from the merger, and hopefully some reversal of their poor performance in SA.

Revenue

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



| | FY19 | | FY18 | | CHANGE | |
|---------------------------|-------------------|-------|-------------------|-------|------------------|--------------|
| TAB Product Fees | 31,854,322 | 46.8% | 30,202,289 | 44.1% | 1,652,033 | 5.2% |
| Wagering Tax Relief | - | 0.0% | 3,125,883 | 4.6% | (3,125,883) | -100% |
| Net Betting Operations | 24,334,305 | 35.8% | 21,473,906 | 31.4% | 2,860,399 | 11.8% |
| Interest | 521,144 | 0.8% | 321,727 | 0.5% | 199,417 | 38.3% |
| SA Government Grant | 2,526,000 | 3.7% | 7,054,344 | 10.3% | (4,528,344) | 0.0% |
| SA Government Grant Capex | 2,867,000 | 4.2% | - | 0.0% | 2,867,000 | 0.0% |
| Other | 5,945,366 | 8.7% | 6,314,701 | 9.2% | (369,335) | -6.2% |
| TOTAL | 68,048,137 | | 68,492,850 | | (444,713) | -0.7% |

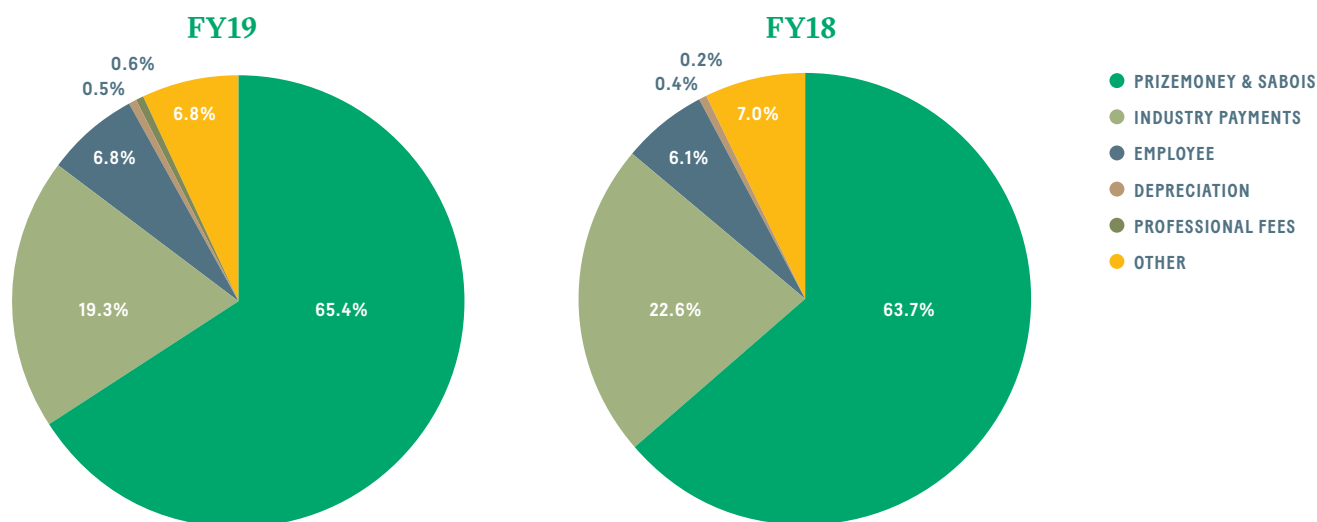
FY19 Net Betting Operation Contributions (BOC) is after deductions of \$8.05M relating to charges incurred by Tabcorp from other States' racefields legislation (which is the equivalent of South Australia's BOC). Under the South Australian Racing Distribution Agreement, which is the Agreement between Tabcorp and the three Codes following the sale of the SA TAB (now Tabcorp), Tabcorp is entitled to recover from the Codes the cost to obtain interstate racing product.

Other revenue includes; Screening and International Rights, SABOIS registration fees, industry participants registration fees, calendar advertising and subscriptions (The Races) together with other sundry revenue items.

Wagering Tax Relief is now incorporated into the TAB Product Fees

Expenses

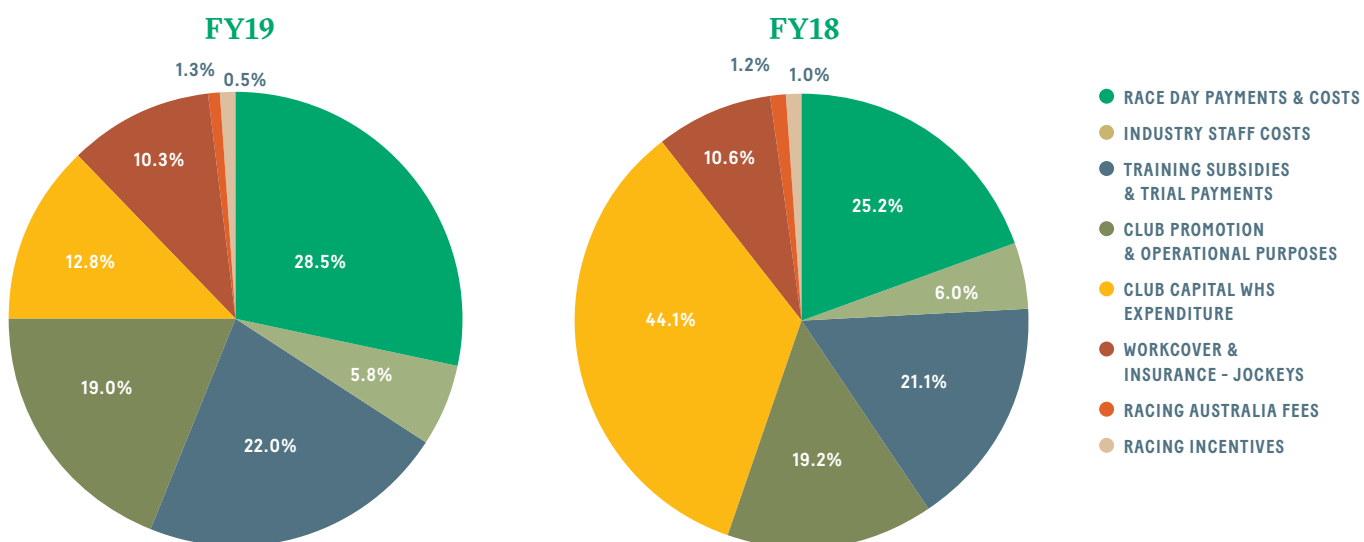
The Charts below show the proportion of expenses for each department for the last two financial years



| | FY19 | | FY18 | | CHANGE | |
|---------------------|-------------------|-------|-------------------|-------|--------------------|--------------|
| Prizemoney & SABOIS | 41,788,370 | 65.9% | 44,318,853 | 63.7% | (2,530,483) | -6.1% |
| Industry Payments | 12,257,657 | 19.3% | 15,924,112 | 22.6% | (3,666,455) | -29.9% |
| Employee | 4,336,614 | 6.8% | 4,228,730 | 6.1% | 107,884 | 2.5% |
| Depreciation | 310,667 | 0.5% | 261,252 | 0.4% | 49,415 | 15.9% |
| Professional Fees | 411,650 | 0.6% | 113,618 | 0.2% | 298,032 | 72.4% |
| Other | 4,311,558 | 6.8% | 4,673,381 | 7.0% | (361,823) | -8.4% |
| TOTAL | 63,416,516 | | 69,519,946 | | (6,103,430) | -9.6% |

Industry Payments

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



| | FY19 | | FY18 | | CHANGE | |
|---------------------------------------|-------------------|---------------|-------------------|---------------|--------------------|----------------|
| Race Day Payments & Costs | 3,483,996 | 28.5% | 3,087,489 | 25.2% | 396,507 | 11.4% |
| Industry Staff Costs | 710,095 | 5.8% | 729,172 | 6.0% | (19,077) | -2.7% |
| Training Subsidies & Trial Payments | 2,690,501 | 22.0% | 2,587,017 | 21.1% | 103,484 | 3.8% |
| Club Promotion & Operational purposes | 2,328,363 | 19.0% | 2,350,595 | 19.2% | (22,232) | -1.0% |
| Club Capital WHS Expenditure | 1,561,421 | 12.8% | 5,400,800 | 44.1% | (3,839,379) | -245.9% |
| Workcover & Insurance - Jockeys | 1,255,165 | 10.3% | 1,298,404 | 10.6% | (43,239) | -3.4% |
| Racing Australia Fees | 156,764 | 1.3% | 148,152 | 1.2% | 8,612 | 5.5% |
| Racing Incentives | 58,081 | 0.5% | 117,280 | 1.0% | (59,199) | -101.9% |
| TOTAL | 12,244,386 | 100.0% | 15,718,909 | 128.4% | (3,474,523) | -28.38% |



SPRIGHT | 2019 TAB Classic
TRAINER: Garry Frazer | JOCKEY: Damien Oliver
PHOTO: Atkins Photography

Betting Operations Contribution (BOC)

The continued growth in our BOC revenue, with BOC being the largest contributor to TRSA's revenue growth, is extremely encouraging, both in terms of the results to date and potential moving forward. TRSA's BOC revenue was severely adversely affected in FY18 as the Corporate bookmakers took punitive action against SA racing due to the introduction of the POC tax in July 2017, with SA the first State to introduce this tax. While the operators could have, and at various times threatened to continue their action against SA despite all other States introducing a POC tax, due to SA having the equal highest tax rate, TRSA has worked closely with them and they took a more restrained approach to possible negative actions in operating on us, recognising TRSA's continued lobbying and resolute efforts with our State Government to reduce the POC tax rate.

While the threat of punitive action by the Corporate Bookmakers may continue in FY20 due to SA's high 15% POC tax rate compared to NSW (10%) and Victoria (8%), TRSA has implemented a blended BOC model which mitigates and discourages any adverse actions against our racing by these operators. The blended model incentivises wagering service providers to actively promote and encourage wagering by their customers on SA Thoroughbred racing, effectively establishing a closer partnership with them.

TRSA still continues to aggressively prosecute its argument with Government, that the POC tax rate in SA should be reduced to 10%, to ensure that SA racing is competitive in the national wagering market, and that wagering on our racing is seen as a viable and desired option by all Wagering Service Providers. However we could not simply sit back and wait, hoping the State Government would reduce the POC tax rate, hence the initiative implemented with the introduction of the blended BOC model.

Prize Money

As we noted throughout our "Support SA Racing Jobs" campaign seeking Government funding through the State Budget, prize money pays wages, which is particularly so with grass roots racing (Provincial and lower grade Metropolitan races). With the announcement as to the provision of Government funding to the industry only made a matter of weeks prior to the end of FY19, addressing prize money levels could not be considered for the year under review. While it occurred post FY19, on 9 August TRSA announced prize money increases of \$5.8M pa, effective from 1 September 2019, all of which have been directed at what has been termed grass roots racing.

Despite the non-renewal of the previous \$3M Government funding towards the Carnival prize money, the prize money cuts TRSA made across the Carnival were only \$1.55M, as we maintained the "\$100K minimum race days" across the six weeks around the Carnival.

South Australian Thoroughbred Racing Awards

The 2018/19 season once again provided some outstanding achievements by our SA racing participants, which were recognised at the SA Thoroughbred Racing Industry Awards and Hall of Fame Inductions on 31 August. The full list of the past seasons' winners is included at the conclusion of my report, and I congratulate all of the Award winners.

Training honours were shared, with Grant Young winning the SA Provincial and Country Trainer of the Year, while Tony McEvoy once again won the SA Metropolitan Trainer of the Year and the SA Trainer of the Year. Among Tony's many highlights for the season was repelling the interstate raiders in SA's premium race The Goodwood, winning with Despatch.

Raquel Clark, who was still an apprentice until late in the season, had a stellar season culminating in her winning six of SA's jockey awards, being the; SA Provincial and Country

Apprentice of the Year, SA Metropolitan Apprentice of the Year, SA Apprentice of the Year, SA Provincial and Country Jockey of the Year, SA Metropolitan Jockey of the Year and SA Jockey of the Year.

Paul Gatt prevented a clean sweep by Raquel in taking out the prestigious John Letts Medal, with his season highlight winning his maiden Group One event on Despatch in The Goodwood.

Conclusion

As has been well documented and highlighted throughout our "Support SA Racing Jobs" campaign, the SA racing industry continues to face and battle significant challenges as we strive to increase returns to participants. For the long term sustainability and growth of the industry we must increase returns which will encourage further investment into the industry, driving increased participation, leading to more jobs, and underpinning continued and growing funding from Government. Increasing returns can be achieved directly by increasing prize money, and by reducing costs, but with a limited budget or pie to work with, TRSA must balance such with adequate and appropriate funding for Clubs, while also addressing infrastructure requirements in terms of tracks (training and racing) and patron facilities.

While the percentage of TRSA's Revenue which is directed to prize money fell from 68.4% to 63.7% between FY17 and FY18, in FY19 it rose to 65.9%. However, 74.4% of TRSA's revenue from wagering activity is paid out to the industry by way of prize money.

82.57% of TRSA's Revenue is derived from wagering activity which has dropped as a percentage of total Revenue of 86.34% and 90.1% in FY18 and FY17 respectively. However if the \$2.867M Government funding re future Infrastructure and Strategy projects is quarantined, wagering accounts for 85.97% of the net Revenue. As noted in last year's report, the continued strong growth in the contributions (BOC) received from interstate wagering operators from their customers'



VALOUR ROAD | TAB Euclase Stakes
TRAINER: Simon A Miller | JOCKEY: Luke Currie
PHOTO: Atkins Photography

activities solely on SA racing, is vital to the growth of the SA racing industry. This source of revenue is spread across a much wider population base than with SA alone as is the case with the SA TAB. However to maximise this requires an appropriate balance between; our BOC (race fields) charging model, a competitive POC tax regime, and racing that is attractive to the Wagering Service Providers' customers. The importance of the blended BOC rate cannot be under-estimated in achieving the first point, and the recently announced increased prize money should assist with the last point.

The \$24M stimulus package provided to the SA racing industry (across the 3 Codes) by Government is greatly appreciated, especially as earlier this year indications were that there would not be any funding whatsoever provided to the industry. The funding is effectively over five years with \$8M in FY19 and approximately \$4M pa across the next four years. While significantly less than the Industry had been seeking, it should be seen in a positive light as; important funding provided to the Industry in what was a very tight State Budget which saw funding cuts in many areas, deserved recognition by the State Government as to the importance of the Racing Industry to

the State and for the first time provision of funding to the Industry in Government's forward estimates. TRSA's share of the \$4M pa funding in FY20-FY23 is likely to be approximately \$2.8M pa (dependent on Market Share achieved each year). The funding provided is based on 10% of the State's wagering revenue from the POC tax, and with other States receiving 20-40%, we will continue to argue for a greater share of the revenue being generated by Government from the POC tax.

The need to increase our focus on both integrity and welfare (human and equine) even further, is a continued and growing challenge to the racing industry as a whole, with increasing demands and expectations by various sectors of the wider community. All of which comes at an increasing cost, with further pressure on our limited revenue and resources. We continue to increase our vigilance and focus on integrity matters, which is vital considering the Industry's heavy reliance on wagering. Once again recent cases identified and successfully prosecuted are evidence of TRSA's Stewards Department's activities in this area.

The Racing Industry has taken significant steps in focussing on welfare matters and working with Racing Australia it will continue to do so.

The need to better communicate to the wider community our efforts and focus in this area has been identified as something the racing industry needs to improve on. No-one is more supportive of the focus on horse welfare than the racing industry itself.

In conclusion, I once again extend my thanks to TRSA's staff for their ongoing contribution and effort towards the success and integrity of racing in our State. TRSA has a relatively small but dedicated team striving to maximise returns from a limited budget, for South Australian racing and our participants, 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

2018/19 Racing Statistics

(1 August 2018 to 31 July 2019)

| NUMBER OF MEETINGS CONDUCTED | 2018/19 | 2017/18 | 2016/17 | 2015/16 | 2014/15 |
|------------------------------|------------|------------|------------|------------|------------|
| Metropolitan | 64 | 61 | 59 | 61 | 60 |
| Provincial/Country | 112 | 115 | 116 | 115 | 119 |
| Non TAB | 10 | 10 | 7 | 9 | 9 |
| TOTAL | 186 | 186 | 182 | 185 | 188 |

| NUMBER OF RACES CONDUCTED | 2018/19 | 2017/18 | 2016/17 | 2015/16 | 2014/15 |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| Metropolitan | 514 | 498 | 481 | 496 | 496 |
| Provincial/Country | 884 | 894 | 916 | 913 | 925 |
| Non TAB | 57 | 56 | 38 | 52 | 52 |
| TOTAL | 1,455 | 1,448 | 1,435 | 1,461 | 1,473 |



QAFILA | TAB South Australian Derby
TRAINER: David Hayes, Ben Hayes & Tom Dabernig
JOCKEY: Cory Parish
PHOTO: Atkins Photography

Racing Snapshot - 2018/19 Premierships

(1 August 2018 To 31 July 2019)

| METROPOLITAN TRAINER | WINS |
|----------------------|------|
| Tony McEvoy | 51 |
| Will Clarken | 35 |
| Phillip Stokes | 28 |

| METROPOLITAN JOCKEY | WINS |
|---------------------|------|
| Raquel Clark | 49 |
| Todd Pannell | 43 |
| Jamie Kah | 42 |

| METROPOLITAN APPRENTICES | WINS |
|--------------------------|------|
| Raquel Clark | 49 |
| Kayla Crowther | 21 |
| Chris Caserta | 18 |

| STATE TRAINER | WINS |
|---------------|------|
| Tony McEvoy | 90 |
| Grant Young | 62 |
| Will Clarken | 51 |

| STATE JOCKEY | WINS |
|--------------|------|
| Raquel Clark | 136 |
| Todd Pannell | 104 |
| Jake Toeroek | 78 |

| STATE APPRENTICE | WINS |
|------------------|------|
| Raquel Clark | 136 |
| Kayla Crowther | 52 |
| Sophie Logan | 36 |

| PROVINCIAL & COUNTRY TRAINER | WINS |
|------------------------------|------|
| Grant Young | 45 |
| Tony McEvoy | 39 |
| John Hickmott | 39 |

| PROVINCIAL & COUNTRY JOCKEY | WINS |
|-----------------------------|------|
| Raquel Clark | 87 |
| Todd Pannell | 61 |
| Sairyn Fawke | 51 |

| PROVINCIAL & COUNTRY APPRENTICE | WINS |
|---------------------------------|------|
| Raquel Clark | 87 |
| Sophie Logan | 36 |
| Kenny Lau | 33 |

| JUMPS TRAINER | WINS |
|---------------|------|
| Eric Musgrove | 6 |
| Grant Young | 5 |
| Patrick Payne | 5 |

| JUMPS JOCKEY | WINS |
|----------------|------|
| Steven Pateman | 6 |
| Cully Richard | 5 |
| Shane Jackson | 3 |

EL DESPERADO | Northpoint Fleurieu Strathalbyn Cup
 TRAINER: Will Clarken | JOCKEY: Justin Potter
 PHOTO: Atkins Photography





SA Thoroughbred Racing Industry Awards 2018/19

| AWARD | WINNER |
|--|---------------------------|
| E.J. Mooney Medal for SA Jumps Jockey of the Year | Steven Pateman |
| SA Jumps Trainer of the Year | Eric Musgrove |
| Caitlin Forrest SA Provincial and Country Apprentice of the Year | Raquel Clark |
| TAB SA Metropolitan Apprentice of the Year | Raquel Clark |
| Leon Macdonald Award for SA Apprentice of the Year | Raquel Clark |
| Evright.com SA Best Performed Horse | Zalmona |
| TAB SA Provincial and Country Trainer of the Year | Grant Young |
| TAB SA Provincial and Country Jockey of the Year | Raquel Clark |
| Most Outstanding Achievement by a Club | Murray Bridge Racing Club |
| Most Outstanding Achievement Award by an Individual | John Buhagiar |
| SA Metropolitan Trainer of the Year | Tony McEvoy |
| Glennon-Johnson Award for 2018/19 SA Metropolitan Jockey of the Year | Raquel Clark |
| SA Jockey of the Year | Raquel Clark |
| 2018/19 Media - Best Racing Story | Lincoln Moore |
| 2018/19 Media - Best Racing Story - Broadcast | Adam McGrath |
| CS Hayes Award for 2018/19 SA Trainer of the Year | Tony McEvoy |
| 2018/19 John Letts Medal | Todd Pannell |
| Festival Hire 2018/19 SA Champion Racehorse of the Year | Despatch |

Hall Of Fame Inductions

| | |
|--------|--------------|
| Jockey | Jim Courtney |
| Horse | Doiran |

Chairman Of Stewards' Report



JOHAN PETZER
CHAIRMAN OF STEWARDS

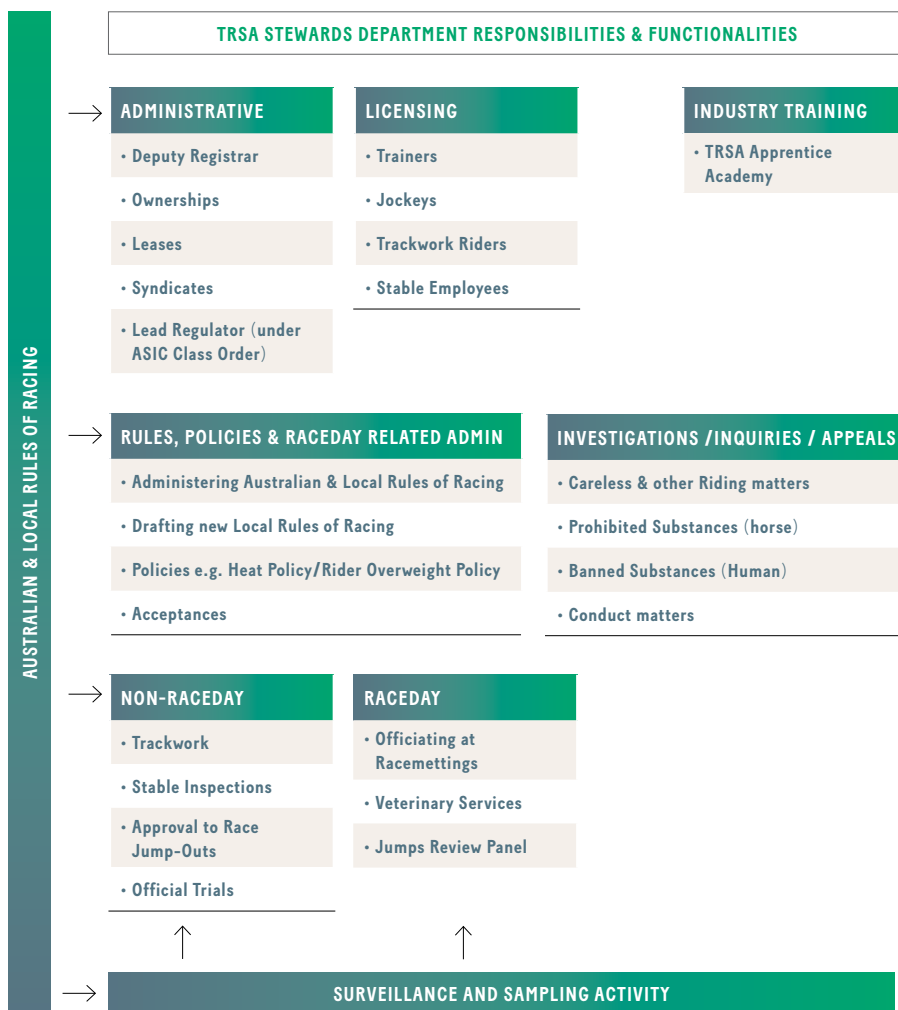
The Stewards Department's functionalities in managing and maintaining integrity in the industry are, as is always the case, presented with associated challenges, and season 2018/19 was no exception. The Department is acutely aware of the legitimate expectation of industry participants and stakeholders including the wagering public that we do so in a firm but fair and even-handed manner. Our key objective remains to provide a consistent, balanced and strong integrity platform to enable a level playing field for participants, and, as in previous seasons, we trust we have done justice in this regard for the season under review. In delivering our objectives and functionalities, our goal is to provide all participants a level of confidence so that they can compete in an environment, which lends itself to a fair and properly regulated contest.

International Partnerships

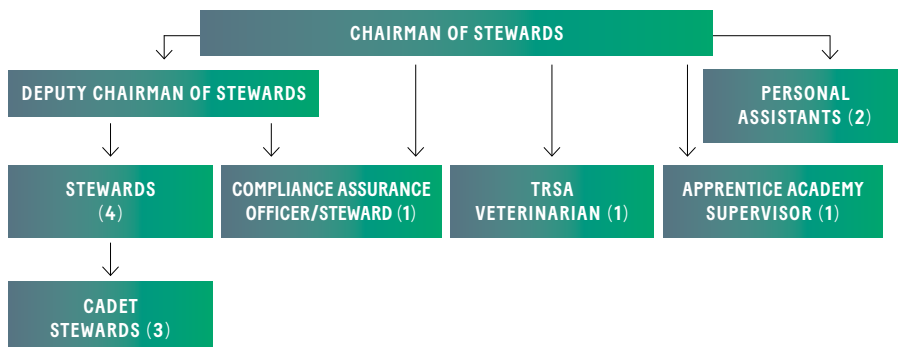
I am again pleased to report that the partnership between TRSA and The Hong Kong Jockey Club (HKJC), in respect of the development and training of apprentice jockeys, and track work riders based in Hong Kong, is ongoing. Matthew Poon, Victor Wong and Alfred Chan (all of whom were trained in South Australia) are continuing their careers as apprentice jockeys in Hong Kong. Kenny Lau and Gary Lo who joined the TRSA Apprentice Academy approximately two years ago are continuing their training and was subsequently joined by Jerry Chau. All three apprentices are making very good progress.

Stewards' Department – Functions

The Department had carriage and responsibility, in broad terms, for the following functionalities:



Stewards' Department – Structure





PRINCESS JENNI | Schweppes Oaks
TRAINER: David Brideoake | JOCKEY: Damien Oliver
PHOTO: Atkins Photography

Swabbing

- HORSE SAMPLES TESTED DURING THE YEAR:

| SAMPLE TYPE | 2018/19 | 2017/18 | 2016/17 |
|---------------------------------|-------------|-------------|-------------|
| Post-race urine / blood samples | 1270 | 1419 | 1485 |
| Pre-race blood samples (TCO2) | 1499 | 1460 | 1031 |
| Post-race blood samples (TCO2) | 11 | 5 | 5 |
| Pre-race blood / urine samples | 878 | 847 | 281 |
| Post-trial urine samples | 11 | 11 | 1 |
| Non-Race Day samples | 24 | 126 | 69 |
| NUMBER OF POSITIVE TESTS | 8 | 4 | 9 |
| TOTAL SAMPLES | 3701 | 3868 | 2872 |

Banned Substances (Human)

The testing of racing participants for the presence of banned substances remains very important. It is particularly important to ensure the safety of all riders, other participants and horses participating in the industry. It remains imperative that participants participate without being affected by banned substances. The sampling activity for the past three racing seasons are detailed in the table below;

| SAMPLE TYPE | 2018/19 | 2017/18 | 2016/17 | AVERAGE |
|----------------------------------|------------|------------|------------|------------|
| Number of Samples (Urine) | 35 | 75 | 83 | 64 |
| Number of Samples (Breathalyser) | 240 | 116 | 269 | 208 |
| Number of Samples (Saliva) | 107 | - | - | - |
| TOTAL NUMBER OF SAMPLES | 382 | 191 | 352 | 308 |
| NUMBER OF POSITIVES | 3 | 10 | 13 | 8 |

Prohibited Substances (Horse)

In total, the Department dealt with eight (8) prohibited substance matters during the racing season – six (6) relating to samples taken from horses which participated in races and two (2) from horses which participated in trials. The prohibited substances detected in these cases included; Cobalt, Arsenic, Phenylbutazone, Heptaminol, Acepromazine & Frusemide.

In addition to the prohibited substance matters reported, Stewards also had cause to deal with a matter, which involved the administration of a substance (Potassium), on race morning, to a horse engaged in the Adelaide Cup. This matter resulted in charges being laid against the participants concerned under AR.229(1)(b) for conduct which was intended to corrupt the outcome of a race. The decision taken by Stewards was confirmed on Appeal resulting in lengthy disqualifications for the participants concerned. The successful prosecution of those involved in these types of matters is evidence of our clear and unwavering resolve to ensure that all those who participate do so on a level playing field. It should act as a strong statement by the Department to those who consider flaunting the rules of racing that TRSA will neither condone and nor will they tolerate any conduct or behaviour which cuts at the core of our product and the industry, that being Integrity.

The Department will continue to engage in testing and surveillance strategies to ensure a level playing field for all participants, the protection of the health and welfare of horses, the safety of riders and the confidence of the betting public and the broader community in the integrity of the South Australian thoroughbred racing industry.



TEMPS VOLEUR | Heiniger Balaklava Cup
TRAINER: Chris Bieg | JOCKEY: Georgina Cartwright
PHOTO: Atkins Photography

Medical Panel

The TRSA Medical Panel fulfils a very important role in our industry and provides very valuable assistance in matters relating to participant health and welfare. Dr Stephen Kennett, who has performed this role for a number of years continued to provide advice and services to the Department and remains an important and critical resource. Dr Kennett and his medical practice conducted the baseline concussion tests for Jockeys and Apprentice Jockeys, which is an important reference to ensure the safe return of riders after concussion related injury.

Racemeeting, disciplinary and related matters

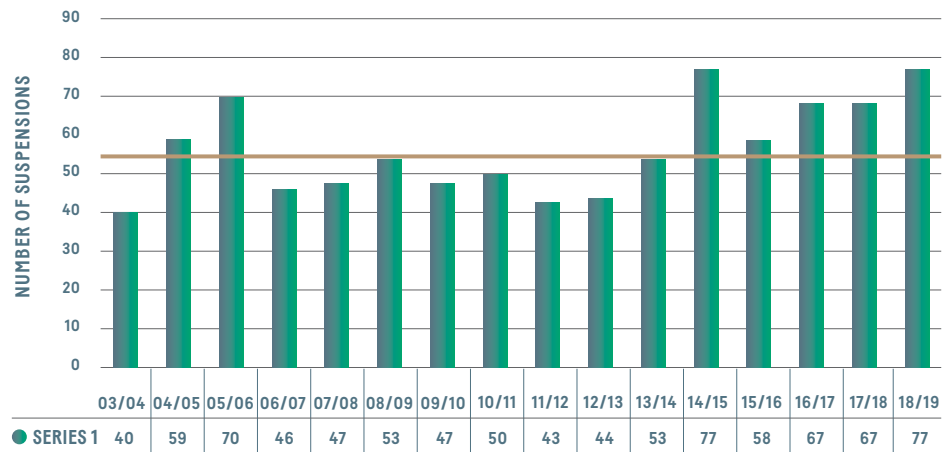
There were 77 Careless Riding charges issued which resulted in a suspension of licence to ride in races. There was also one (1) charge issued under the rule relating to a rider failing to take all reasonable and permissible measures during the race. The Department will continue to take a firm approach in respect of riding related matters to ensure riders ride in a safe and competitive manner. The graph provided illustrates the Department's activity in respect of Careless riding matters over the past 16 racing seasons.

The Department also conducted 15 non-race day inquiries into alleged breaches of the Rules. The Department also conducted race day and non-race day stable inspections, which included surveillance and the identification and 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.

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.

NUMBER OF SUSPENSIONS PER RACING SEASON



● AVERAGE NUMBER OF SUSPENSIONS/SEASON OVER 16 SEASONS = 56 (ROUNDED)

Licensing & Registration:

The following licences / registrations were processed by the Department –

| LICENCED / REGISTRATION TYPE | 2018/19 | 2017/18 | 2016/17 |
|-------------------------------|------------|-------------|-------------|
| Trainers | 251 | 294 | 315 |
| Jockeys | 29 | 40 | 36 |
| Apprentices | 13 | 17 | 17 |
| Interstate Jockeys | 43 | 64 | 62 |
| Interstate Apprentices | 22 | 23 | 19 |
| Stablehands | 320 | 537 | 474 |
| Stablehands/ Trackwork Riders | 90 | 140 | 173 |
| TOTAL | 768 | 1115 | 1096 |

Transfers, Leases & Syndicates:

in respect of race horse ownership, processed -

| TRANSFERS, LEASES & SYNDICATES | 2018/19 | 2017/18 | 2016/17 |
|--------------------------------|------------|------------|------------|
| Transfers | 569 | 501 | 589 |
| Leases | 127 | 196 | 149 |
| Syndicates | 88 | 78 | 72 |
| TOTAL | 784 | 775 | 810 |

Veterinary Services

Dr. Peter Horridge the TRSA Industry Veterinarian provided valuable service to the Department, and we were again fortunate to 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, continued to ensure 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 and Provincial area; in particular Dr. Brian Agnew, Dr. Roger Haensel and veterinarians from the Morphettville Equine Clinic. Dr. Horridge represented TRSA at meetings of the Veterinary and Analysts Committee (VAC), a committee of Racing Australia as he has done for many years. 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

Raquel Clark was named Dux of the Apprentice Academy at the Annual Apprentice Academy Awards Evening in November 2018 and she was a very worthy winner of this award. As part of being named the Dux, Raquel was afforded the opportunity to ride in Singapore during the season. Raquel performed

Jumps season:

| SEASON | 2019 | 2018 | 2017 |
|----------------------|-----------|-----------|-----------|
| Races | 23 | 20 | 20 |
| Starters | 144 | 131 | 143 |
| Average Race Runners | 6.26 | 6.55 | 7.15 |
| Fell (%) | 6 (4.17%) | 4 (3.05%) | 6 (4.20%) |
| (Deceased) (%) | 1 (0.69%) | 0 (0.00%) | 1 (0.70%) |

exceptionally well and rode in 24 races in Singapore, winning two (2) races, most notably one of which was the Group 3 Silver Bowl at Kranji. TRSA expresses their gratitude to TAB for their generous sponsorship of the award, and also acknowledges the Singapore Turf Club for their longstanding, continued and valued support in this regard. The Academy had on average 16 apprentices enrolled, with four (4) being granted permission to ride in races for the first time in the 2018/19 season. Attendance at the Academy on specified days remains mandatory and additional riding skills sessions with smaller groups are conducted on a regular basis. TRSA's partnership with Skillinvest, the Registered Training Organisation responsible for delivering racing industry related qualifications in South Australia has proved to be very valuable and their engagement and professional service in the local industry has been well received.

I also wish to highlight the fact that Kayla Crowther was awarded the Sport SA "Junior Sports Star of the Year Award", the first rider in South Australia to win this award. This was a fantastic achievement and well deserved.

TRSA again competed in the annual National Apprentice Race Series (NARS), with South Australia's heat conducted at Strathalbyn. The series was won by South Australia for the sixth (6th) time in the competition's eleven (11) year history. This achievement speaks volumes about the calibre of apprentices produced by the Apprentice Academy.

The Simone Montgomerie/Caitlin Forrest Apprentice Challenge was conducted in May and June 2018. This series is an opportunity for us as an industry to pay tribute to and remember two of our great young individuals.

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, Racing Australia, and remained an active participant on the Racing Australia Chairmen of Stewards Committee and the Veterinary and Analysts Committee.

Appreciation

I would like to express, as I have done in previous years, and appropriately so, my sincere appreciation to the Department's staff for their dedication and 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 commitment to ensure adequate resources are allocated to the integrity functions performed by the Department is appreciated and valued.



JOHAN PETZER
CHAIRMAN OF STEWARDS

2019 FINANCIAL REPORT

Contents

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

| | |
|---|-----------|
| Directors' Report | 26 |
| Auditor's Independence Declaration | 32 |
| Financial Statements | 33 |
| Notes to the Financial Statements | 37 |
| Directors' Declaration | 51 |
| Independent Audit Report | 52 |





MUSIC BAY | Hughes Limousines Queen Of The South Stakes
TRAINER: Phillip Stokes | JOCKEY: Craig Williams
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 2019 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. A leading figure of this States' legal establishment, Frances has been Chairman of the Parole Board of South Australia since 1983. Frances rode trackwork to put herself through university, has competed as an amateur jockey and has won several feature races as a trainer. She has also chaired two major inquiries into South Australian racing and the betting industries. Frances was Deputy Chair of Racing Australia from 2014 to 2016 and Chair of Racing Australia from 2016 to 2019. During that period she was Vice Chair of the Asian Racing Federation and still serves as the nominee of that body to a sub-committee of the International Association. She continues to attend Executive Council of the International Federation of Horse Racing Authorities where she is a Member of the Governance Review Committee. She currently chairs the Australian Pattern and Development Committee and the National Jockey Welfare Committee. Frances is a member of the South Australian Jockey Club Inc and the Oakbank Racing Club Inc. Chairperson - Race Dates Committee · Chairperson - Remuneration Committee Chairperson - Jumps Committee · Member - Finance Committee</p> |
| <p>Mr Simon Ward LLB DEPUTY CHAIR RETIRED OCTOBER 2018</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. Member - Finance Committee · Member - Race Dates Committee</p> |
| <p>Mr David Rasheed BA (ACC), CA, CTA DEPUTY CHAIR FROM OCTOBER 2018</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. David is a member of the South Australian Jockey Club Inc. Chairman - Finance Committee · Member - Race Dates Committee · Member - Remuneration 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 is a member of the Australian Institute of Company Directors. He also has extensive experience in sports administration having been on the Gymnastics Australia Board for 12 years, the last three as President. He has also been a Board Member of the Australian Olympic Committee and is a current Director of the Australian Commonwealth Games Association. He was a Board member of the Southern Football league for 5 years and Chairman of Gymnastics South Australia for 10 years. Chairman - Marketing Committee · Chairman - Governance Committee · Member - Finance Committee</p> |



VON COSTA GLASS | Carlton Draught Murray Bridge Gold Cup
TRAINER: Sue Jaensch | JOCKEY: Raquel Clark
PHOTO: Atkins Photography

Directors continued:

| NAME AND QUALIFICATIONS | EXPERIENCE AND SPECIAL RESPONSIBILITIES |
|--|--|
| <p>Mrs Judith Jones</p> | <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 pre-training 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 - Remuneration Committee · Member - Race Dates Committee · Member - Governance Committee</p> |
| <p>Mr Iain Evans</p> | <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 Society Ltd and is a Director on the Citrus Australia Board. Iain's other Directorships include; Chairman of the Northern Zone Rock Lobster Fisherman's Association Inc Associate Director Voyages Indigenous Tourism Australia Ltd Director Wana Ungkuntja Pty Ltd (Anangu Jobs) Director Crime Stoppers SA Member - Marketing Committee</p> |
| <p>Mr Steve Kelton</p> | <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> |
| <p>Mrs Julie Ryan LLB (HONS) B.COM APPOINTED OCTOBER 2018</p> | <p>Julie is a current practicing lawyer, and an experienced corporate legal counsel and company secretary, with a particular interest in governance and strategy. She is currently the CEO of Retail Drinks Australia, the national industry body representing the rights of off premise liquor retailers. Before joining Retail Drinks, Julie was a director of the Winemakers Federation of Australia, and on the executive management team of a global wine company where she had a broad responsibility covering global legal services, government affairs, company secretarial and risk. Julie is also a director of National Association of Women in Operations.</p> <p>Member - Governance Committee</p> |

Company Secretary:

The secretary of the Company at the end of the financial year was: Mr Nicholas Redin BSc (Acc).

Nick is the Chief Operating Officer of Thoroughbred Racing SA Ltd.



LADY SILHOUETTE | 2018 Holdfast Insurance Gawler Cup
TRAINER: Gary Searle | JOCKEY: Emily Finnegan
PHOTO: Atkins Photography

Principal Activities

The Company is a company limited by guarantee.

The company is the Controlling Authority for thoroughbred racing in South Australia. The principal activities of the Company during the course of the financial year were to:

- (a) Regulate and control all aspects of thoroughbred horse racing including 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 and to provide Work Health and Safety assistance to Clubs;
- (d) Determine the allocation of industry funding from revenue received including Club infrastructure works and capital expenditure;
- (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 appropriate Ministers;
- (k) Conduct the operations of the South Australian Apprentice Jockeys Academy and;
- (l) Manage and administer the WorkCover 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 \$4,460,421.

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

The Company accepted an offer from, and entered into a four year agreement with, the State Government for the provision of funding to the thoroughbred racing industry in South Australia. The purpose and outcome stipulated in the

agreement was to undertake measures that improve the sustainability of the racing industry in South Australia and to protect local jobs and boost the racing industry to become more competitive.

The total forecast funding the Company will receive over the term of the agreement is estimated to be \$11.6M.

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 major political parties on the size and importance of the Racing Industry in South Australia.
- An increased commitment from the South Australian Government for ongoing support following the introduction of the Betting Operations Tax.
- Continued development of race programs and handicapping practices 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.
- Deliver initiatives aimed at increasing the number of owners in SA.
- Work with Syndicators to increase the number of horses racing in SA.
- Conduct a Statewide review of racing and training infrastructure.
- 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 and assistance with Work, Health and Safety matters and infrastructure projects.
- Continued development and support of the Off the Track initiatives for retired thoroughbred racehorses.

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 | REMUNERATION | GOVERNANCE | JUMPS |
|----------------------------|-------|---------|-----------|------------|--------------|------------|-------|
| Ms E Frances Nelson QC | 12 | 2 | | 1 | 1 | | 1 |
| Mr David Rasheed | 11 | 2 | | 1 | 1 | | |
| Mr Simon Ward | 3 | | | | | | |
| Mr Grant Harrison | 11 | 2 | 2 | | | 1 | |
| Mrs Judith Jones | 12 | | | 1 | 1 | 1 | |
| Mr Iain Evans | 12 | | 2 | | | | |
| Mr Steve Kelton | 12 | | | 1 | | | |
| Mrs J Ryan* | 8 | | | | | 1 | |
| TOTAL MEETINGS HELD | 12 | 2 | 2 | 1 | 1 | 1 | 1 |

*Mr S Ward retired by rotation in October 2018 and was eligible to attend 4 Board Meetings. Mrs J Ryan was appointed in October 2018 and was eligible to attend 8 Board meetings. 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 7 and forms part of the Directors' Report for the financial year ended 30th June 2019.

Dated at Adelaide this 27th day of September 2019.

Signed in accordance with a resolution of Directors:

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.



E 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 2019, 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
ABN: 38 280 203 274

G.W. Martinella
Partner

Dated this 27th day of September, 2019.

**CHARTERED ACCOUNTANTS
& ADVISORS**
Level 6, 211 Victoria Square
Adelaide SA 5000
GPO Box 11050
Adelaide SA 5001
Telephone: +61 8 8409 4333
willambuck.com

William Buck is an association of independent firms, each trading under the name of William Buck across Australia and New Zealand with affiliated offices worldwide. Liability limited by a scheme approved under Professional Standards Legislation other than for acts or omissions of financial services businesses.



THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

| | | 2019 | 2018 |
|--|------|------------------|--------------------|
| | NOTE | \$ | \$ |
| Revenue | 2 | 67,483,933 | 68,134,101 |
| Financial income | 3 | 564,204 | 358,749 |
| Prizemoney & Unplaced Subsidies | | (40,519,270) | (43,072,953) |
| SABOIS Bonuses | | (1,269,100) | (1,245,900) |
| Industry payments | 4(a) | (12,029,541) | (15,453,477) |
| Employee expenses | | (4,336,614) | (4,228,730) |
| Depreciation expense | | (310,667) | (261,252) |
| Legal & Professional Fees | | (411,650) | (113,618) |
| Financial Expenses | | (88,373) | - |
| Other expenses | 4(b) | (4,451,302) | (5,144,016) |
| NET SURPLUS/ (DEFICIT) FROM OPERATING ACTIVITIES | | 4,631,620 | (1,027,096) |
| Loan Impairment - Mt Gambier Racing Club Inc. | | (171,000) | - |
| NET SURPLUS / (DEFICIT) FOR THE YEAR | | 4,460,620 | (1,027,096) |
| OTHER COMPREHENSIVE INCOME: | | | |
| Net fair value gain on re-measurement of investments in equity securities available-for-sale | | 24,614 | 29,120 |
| Revaluation of Investment in Racing Australia Ltd | | 209,697 | 846,885 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 4,694,931 | (151,091) |

The accompanying notes form part of these financial statements.



Statement of Financial Position

| | NOTE | 2019 \$ | 2018 \$ |
|---|------|-------------------|-------------------|
| ASSETS: CURRENT ASSETS | | | |
| Cash and cash equivalents | 5 | 13,131,500 | 5,715,830 |
| Trade and other receivables | 6 | 6,816,095 | 14,171,311 |
| Other assets | 7 | 102,707 | 78,381 |
| TOTAL CURRENT ASSETS | | 20,050,302 | 19,965,522 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | 8 | 885,477 | 940,389 |
| Financial assets - Investments | 9 | 11,771,852 | 3,242,131 |
| TOTAL NON-CURRENT ASSETS | | 12,657,329 | 4,182,520 |
| TOTAL ASSETS | | 32,707,631 | 24,148,042 |
| LIABILITIES: CURRENT LIABILITIES | | | |
| Trade and other payables | 10 | 2,757,352 | 3,914,214 |
| Provisions | 11 | 765,434 | 708,336 |
| Other liabilities | 12 | 431,574 | 296,110 |
| TOTAL CURRENT LIABILITIES | | 3,954,360 | 4,918,660 |
| NON-CURRENT LIABILITIES | | | |
| Provisions | 11 | 43,937 | 31,770 |
| Other liabilities | 12 | 6,082,364 | 1,265,573 |
| TOTAL NON-CURRENT LIABILITIES | | 6,126,301 | 1,297,343 |
| TOTAL LIABILITIES | | 10,080,661 | 6,216,003 |
| NET ASSETS | | 22,626,970 | 17,932,039 |
| EQUITY | | | |
| Reserves | 13 | 1,421,099 | 1,186,788 |
| Retained profits | | 21,205,871 | 16,745,251 |
| TOTAL EQUITY | | 22,626,970 | 17,932,039 |

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 2017 | 310,783 | 17,772,347 | 18,083,130 |
| Net deficit 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 |
| Net surplus for the year | - | 4,460,620 | 4,460,620 |
| Other Comprehensive Income for the year | 234,311 | - | 234,311 |
| BALANCE AS AT 30 JUNE 2019 | 1,421,099 | 21,205,871 | 22,626,970 |

The accompanying notes form part of these financial statements.



ZED EM | 2019 Thomas Farms Great Eastern Steeplechase
 TRAINER: Patrick Payne | JOCKEY: Steven Pateman
 PHOTO: Atkins Photography

Statement of Cash Flows

| | NOTE | 2019 \$ | 2018 \$ |
|---|------|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts in the course of operations | | 81,223,326 | 67,400,654 |
| Payments in the course of operations | | (71,126,604) | (76,186,069) |
| Interest received | | 521,144 | 321,727 |
| Dividends received | | 43,060 | 37,022 |
| Loans (to) / repayments from Clubs | | 305,907 | 175,345 |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | 14 | 10,966,833 | (8,251,321) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for plant and equipment | | (255,755) | (250,780) |
| Loans to / from External Parties | | (3,295,408) | 18,908 |
| NET CASH (USED IN) INVESTING ACTIVITIES | | (3,551,163) | (231,872) |
| NET INCREASE / (DECREASE) IN CASH HELD | | | |
| Cash and cash equivalents at the beginning of the financial year | | 5,715,830 | 14,199,023 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR | 5 | 13,131,500 | 5,715,830 |

The accompanying notes form part of these financial statements.



Paul Preusker (trainer) and Dean Holland (jockey)
of 2019 TAB Adelaide Cup winner Surprise Baby
PHOTO: Meaghan Coles

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 27 September 2019.

(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.

(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



NASHVILLE SOUND | Katnook Estate Penola Cup
 TRAINER: Daniel Bowman | JOCKEY: Raquel Clark
 PHOTO: Meaghan Coles

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.



DELLACQUA | City Of Port Augusta Cup
 TRAINER: David Jolly | JOCKEY: KRYSTAL BISHOP
 PHOTO: Meaghan Coles

2. Revenue

| | 2019 | 2018 |
|--|-------------------|-------------------|
| | \$ | \$ |
| TAB Product Fees and Wagering Tax Relief | 31,854,323 | 33,328,173 |
| South Australian Government Prizemoney Grant | - | 3,000,000 |
| South Australian Government BOT Grant | 5,393,000 | 4,054,344 |
| Screening & International Rights | 3,895,375 | 3,458,589 |
| SABOIS subscriptions | 275,150 | 295,900 |
| Registration fees | 218,904 | 208,396 |
| Publications | 69,854 | 75,813 |
| Other | 1,443,022 | 2,238,980 |
| | 43,149,628 | 46,660,195 |
| Gross Betting Operations Contributions | 32,387,652 | 29,315,233 |
| Less: Interstate Race Field Fees Paid | (8,053,347) | (7,841,327) |
| Net Betting Operations Contributions | 24,334,305 | 21,473,906 |
| TOTAL REVENUE | 67,483,933 | 68,134,101 |

During the course of the year, the Company received grants from the SA Government totalling \$5,393,000 (2018: \$4,054,344). This amount was 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.

3. Financial Income

| | | |
|-------------------------------|----------------|----------------|
| Interest income | 521,144 | 321,727 |
| Dividend income | 43,060 | 37,022 |
| TOTAL FINANCIAL INCOME | 564,204 | 358,749 |

| 4. Expenditure | 2019 | 2018 |
|---|-------------------|-------------------|
| | \$ | \$ |
| (A) INDUSTRY PAYMENTS | | |
| Training Grants and Raceday Usage payments | 2,690,501 | 2,587,017 |
| Race Day Payments & Costs | 3,483,996 | 3,087,489 |
| Club Promotion and Operational purposes | 2,328,363 | 2,350,595 |
| Club Capital Expenditure | 1,561,421 | 5,400,800 |
| Workcover & Insurance - Jockeys | 1,255,165 | 1,298,404 |
| Industry Staff Costs | 710,095 | 729,172 |
| TOTAL INDUSTRY PAYMENTS | 12,029,541 | 15,453,477 |
| (B) OTHER EXPENSES | | |
| Advertising & Marketing | 1,339,913 | 2,151,950 |
| Marketing Professional Fees | 245,287 | 189,258 |
| Publication Expenses | 292,516 | 284,411 |
| Swab & Veterinary Supplies | 618,186 | 561,690 |
| Other | 1,955,400 | 1,956,707 |
| TOTAL OTHER EXPENSES | 4,451,302 | 5,144,016 |
| (C) AUDITOR REMUNERATION | | |
| Remuneration of the auditor of the Company for: | | |
| AUDIT OF THE FINANCIAL REPORT | 17,700 | 17,300 |

5. Cash and cash equivalents

| | 2019 | 2018 |
|--------------------------|------------|-----------|
| CURRENT | \$ | \$ |
| Cash at bank and on hand | 12,366,283 | 4,512,971 |
| Short-term bank deposits | 765,217 | 1,202,859 |
| | 13,131,500 | 5,715,830 |

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 2019 is \$674,659 (2018: \$699,604). 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 | 13,131,500 | 5,715,830 |
|----------------------------------|------------|-----------|

6. Trade and other receivables

| | | |
|--|-----------|------------|
| CURRENT | | |
| Trade receivables | 3,340,723 | 9,059,045 |
| Other receivables | 2,629,706 | 3,960,693 |
| Loans to Thoroughbred Racing Clubs - secured | 845,666 | 1,151,573 |
| | 6,816,095 | 14,171,311 |

7. Other assets

| | | |
|----------------|---------|--------|
| CURRENT | | |
| Prepayments | 102,707 | 78,381 |
| | 102,707 | 78,381 |

8. Plant and equipment

| | 2019 | 2018 |
|----------------------------------|----------------|----------------|
| | \$ | \$ |
| NON-CURRENT | | |
| Plant and equipment - at cost | 4,004,150 | 4,090,149 |
| Less: accumulated depreciation | (3,118,673) | (3,149,760) |
| TOTAL PLANT AND EQUIPMENT | 885,477 | 940,389 |

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 | 940,389 | 950,861 |
| Additions at cost | 255,755 | 250,780 |
| Disposals - written-down value | - | - |
| Depreciation expense | (310,667) | (261,252) |
| CARRYING AMOUNT AT END OF YEAR | 885,477 | 940,389 |

9. Financial assets - Investments

NON-CURRENT

| | | |
|---|------------|-----------|
| - Investment in Racing Australia Pty Ltd | 1,511,219 | 1,301,522 |
| - Loan Burke Urban Gifford Hill | 9,318,099 | 1,022,689 |
| Available-for-sale financial assets | | |
| - Listed equity securities available for sale | 942,534 | 917,920 |
| | 11,771,852 | 3,242,131 |

The investment in Racing Australia Limited has been revalued to reflect the Company's share of the net assets of Racing Australia Limited. This revaluation will be undertaken on an annual basis going forward.

The loan to Burke Urban Gifford Hill forms part of the \$10M 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 (\$681,901) will be drawn during the course of the 2019/20 Financial Year. The loan is secured against the existing Murray Bridge Racecourse land.

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 2019.

10. Trade and other payables

CURRENT

| | | |
|-----------------------------|-----------|-----------|
| Trade payables | 1,011,001 | 1,422,345 |
| Other payables and accruals | 1,746,351 | 2,491,869 |
| | 2,757,352 | 3,914,214 |

11. Provisions

| | 2019 | 2018 |
|---|---------|---------|
| | \$ | \$ |
| CURRENT | | |
| Employee benefits - annual leave | 318,909 | 287,282 |
| Employee benefits - long service leave | 446,525 | 421,054 |
| | 765,434 | 708,336 |
| NON-CURRENT | | |
| Employee benefits - long service leave | 43,937 | 31,770 |
| | 43,937 | 31,770 |
| TOTAL PROVISIONS | 809,371 | 740,106 |
| Opening balance at 1 July 2018 | 740,106 | 658,445 |
| Net provisions movement during the year | 69,265 | 81,661 |
| BALANCE AT 30 JUNE 2019 | 809,371 | 740,106 |

PROVISION FOR LONG-TERM EMPLOYEE BENEFITS

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

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 2019/20 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 - general | 301,374 | 296,110 |
| Income in advance - TABCorp Ltd | 130,200 | - |
| | 431,574 | 296,110 |

NON-CURRENT

| | | |
|--------------------------------------|-----------|-----------|
| Income received in advance - general | 170,967 | 223,976 |
| Income in advance - TABCorp Ltd | 911,397 | 1,041,597 |
| Loan from SA Government | 5,000,000 | - |
| | 6,082,364 | 1,265,573 |
| TOTAL OTHER LIABILITIES | 6,513,938 | 1,561,683 |

13. Reserve

2019

2018

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 | 4,460,620 | (1,027,096) |
| Add/(less) non-cash items: | | |
| - Amounts set aside to provisions | 69,265 | 81,661 |
| - Depreciation expense | 310,667 | 261,252 |
| - Loan impairment | 171,000 | - |
| Net cash from operating activities before change in assets and liabilities | 5,011,552 | (684,183) |
| Change in assets and liabilities during the period: | | |
| - (Increase)/ Decrease in trade receivables | 5,718,322 | (6,438,918) |
| - Decrease / (Increase) in other receivables | 1,330,986 | (2,180,104) |
| - Decrease in loans to Thoroughbred Racing Clubs | 134,907 | 175,345 |
| - (Increase) / Decrease in other assets | (24,327) | 110,514 |
| - (Decrease) / Increase in trade payables | (411,344) | 667,314 |
| - Increase / (Decrease) in other payables and accruals | (745,518) | 165,611 |
| - (Decrease) in income received in advance | (47,745) | (66,900) |
| NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES | 10,966,833 | (8,251,321) |

15. Related party transactions

| | 2019 | 2018 |
|---|---------|---------|
| KEY MANAGEMENT PERSONNEL COMPENSATION | \$ | \$ |
| The key management personnel compensation included in employee expenses are as follows: | | |
| Short term employee benefits | 825,607 | 769,724 |
| Post-employment benefits | 78,433 | 72,508 |
| | 904,040 | 842,232 |

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, Mrs J Ryan 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 | 205,598 |
| Post-employment benefits | 14,402 | 14,402 |
| | 220,000 | 220,000 |

DIRECTORS' TRANSACTIONS WITH THE COMPANY

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

The aggregate amounts recognised during the year relating to Directors and Director related entities were as follows:

| DIRECTOR | TRANSACTION | NOTE | | |
|--------------|-----------------------|------|-------|--------|
| Mr S.Ward | Legal Services | (i) | 1,614 | 46,685 |
| Mr D.Rasheed | Professional Services | (ii) | - | 10,350 |

(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:

| | 2019 | 2018 |
|----------------------------------|------|-------|
| | \$ | \$ |
| Current trade and other payables | | |
| TRADE PAYABLES | - | 8,177 |

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 \$2,302,390 (2018: \$3,337,761) 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 meetings and thereby has significant influence over the Company.

The Company made payments of \$61,032 (2018: \$69,136) to CRSA during the year for operational purposes. These payments are included in the expense item Industry Payments in Statement of Profit or Loss and Other Comprehensive Income.

The members of 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 \$5,216,825 (2018: \$7,976,591) 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 \$845,666 at 30 June 2019 (2018: \$1,151,573). The loans are secured or capable of being secured. Interest earned by the Company amounted to \$3,904 (2018: \$8,078) 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 2019 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 2019/20 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 2019 was \$216,363 (2018: \$169,505). 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 | 2019 \$ | 2018 \$ |
|-------------------------------|------|-------------------|-------------------|
| FINANCIAL ASSETS | | | |
| Cash and cash equivalents | 5 | 13,131,500 | 5,715,830 |
| Receivables and loans | 6 | 6,816,095 | 14,171,311 |
| Investments | 9 | 11,771,852 | 3,242,131 |
| TOTAL FINANCIAL ASSETS | | 31,719,447 | 23,129,272 |

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 | | 24,614 | 29,120 |
| TOTAL GAINS AND (LOSSES) RECOGNISED IN OTHER COMPREHENSIVE INCOME | | 24,614 | 29,120 |

FINANCIAL LIABILITIES

Financial liabilities at amortised cost

| | | | |
|------------------------------------|----|------------------|------------------|
| - Trade and other payables | 10 | 2,757,352 | 3,914,214 |
| TOTAL FINANCIAL LIABILITIES | | 2,757,352 | 3,914,214 |

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

| | 2019 | 2018 |
|--|----------------|----------------|
| | \$ | \$ |
| (A) OPERATING LEASES | | |
| Minimum lease payments under non-cancellable operating leases: | | |
| - Not later than one year | 54,156 | 104,735 |
| - between one and five years | 90,260 | 102,267 |
| TOTAL OPERATING LEASES | 144,416 | 207,002 |

19. Events after the reporting period

The Company accepted an offer from, and entered into a four year agreement with, the State Government for the provision of funding to the thoroughbred racing industry in South Australia. The purpose and outcome stipulated in the agreement was to undertake measures that improve the sustainability of the racing industry in South Australia and to protect local jobs and boost the racing industry to become more competitive.

The total forecast funding the Company will receive over the term of the agreement is estimated to be \$11.6M.

20. Company details

The registered office and principal place of business of the Company is:
Thoroughbred Racing SA Ltd
Ground Floor, 240 Morphett Rd
NORTH PLYMPTON SA 5037

21. Members' guarantee

The Company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$2.00 each towards meeting any outstanding's and obligations of the Company. At 30 June 2019 the number of members was 2.



RAQUEL CLARK: SA Jockey and
Apprentice Jockey of the Year
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 9 to 25, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards as stated in Note 1; and
 - (b) give a true and fair view of the Company's financial position as at 30 June 2019 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 

E F Nelson QC

Dated at Adelaide this 27th day of September, 2019

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 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, 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 2019 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards – Reduced Disclosure Regime 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

Level 8, 211 Victoria Square
Adelaide SA 5000
GPO Box 11050
Adelaide SA 5001
Telephone: +61 8 8409 4333
willambuck.com



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 2019, 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 Regime and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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 cursive script that reads 'William Buck'.

William Buck
ABN: 38 280 203 274

A handwritten signature in cursive script that reads 'G.W. Martinella'.

G.W. Martinella
Partner

Dated this 27th day of September, 2019.



LADY CONQUISTADOR | MGA Insurance Brokers Port Lincoln Cup
TRAINER: Simon Drewitt | JOCKEY: Sophie Logan
PHOTO: Meaghan Coles





THOROUGHbred RACING SA LIMITED
MORPHETTville RACECOURSE, MORPHETTville, SA 5043