



Black Caviar - Winner of the 2012 Distinctive Homes Goodwood and extending her unbeaten record to 21

THOROUGHBRED RACING SOUTH AUSTRALIA

ANNUAL REPORT

2012



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** All racing photos courtesy of Atkins Photography and Lyndelle Connor Photography*

Chairman's Report



Frances Nelson QC Chairman

The racing year 2011-2012 has been a good year for thoroughbred racing in South Australia, notwithstanding that the global financial crisis has affected wagering turnover on a national level.

Three additional TAB race meetings were conducted during the season.

It is important to emphasise the role of Thoroughbred Racing SA (TRSA) as the controlling body, which role carries with it a responsibility to the industry as a whole. Whilst the Board consults widely with racing Clubs, industry stakeholders and its shareholders the South Australian Jockey Club (SAJC) and South Australian Racing Clubs' Council (SARCC), ultimately decisions made by the Board are made having regard to an industry perspective and considerations of improving and advancing the industry at both a metropolitan and regional level.

We have been able to increase prizemoney in the last racing season by \$1,675,408. The total prizemoney paid

in 2012 was \$34,196,774 as compared with total prizemoney paid in 2011 of \$32,521,366.

That prizemoney increase was slightly better than we anticipated when I published my Chairman's Report in 2011.

Throughout the year the Management of TRSA has continued to provide regular industry information sessions to Club representatives across the State, and there have been regular meetings between the Chair, Deputy Chair and the CEO's of TRSA, the SAJC and SARCC. Industry information sessions have also included workshops to enable Clubs to prepare for proposed changes in Occupational Health and Safety Legislation.

SABOIS

The SA Breeders & Owners' Incentive Scheme (SABOIS) has been in operation for many years. The Board considered it was time to review the Scheme, not with a view to dismantling the Scheme, but to ensure that the Scheme is achieving its objectives to assist breeders and to retain horses in South Australia. TRSA established a Working Party comprising various stakeholders, to enable the various opinions to be expressed and Simon Ward, the Deputy Chair of TRSA is currently chairing a subcommittee to review the Working Party's recommendations, SABOIS, and to ensure that its conditions and rules are such as to achieve those objectives.

Adelaide Autumn Racing Carnival

As I foreshadowed last year the Board has been able to develop, in consultation with the SAJC, an Autumn Racing Carnival with its inaugural running occurring in the 2012 year. Two \$500,000 races were run during the carnival namely the Goodwood Handicap and the SA Derby. The SAJC (and South Australia) was privileged to have Black Caviar race at Morphettville on two occasions and recorded her record breaking wins locally. That generated not only national but international interest and excitement. Those two days saw packed grandstands at Morphettville and proved a great benefit to the SAJC, whose Board and Management organised both events extremely well.

Murray Bridge Racing Club

The second phase of development of the new racecourse is underway as I write. Whilst a downturn in the economy has made progress slower than we would wish, nevertheless the development continues and will ultimately provide a significant regional development not only for racing but also a world standard training facility. At this time it is anticipated that we will be racing at the new venue in 15-18 months.



Rialya - Winner of the 2012 Adelaide Casino Adelaide Cup, trained by Lloyd Kennewell

Gawler & Barossa Jockey Club

This development was finalised with the extremely favourable sale of the surplus land, which has put the Club in a very sound financial position going forward.

It is pleasing that, demonstrably, there is great confidence in the track in terms of wagering and also the support given to race meetings there by trainers, as well as pleasing attendance figures.

Fixed Odds Betting

Fixed odds betting being offered by Clubs via Tattsbet on course is a matter I anticipate will be finalised in the very near future. I acknowledge the considerable efforts of Jim Watters the CEO of TRSA, in securing a consensus between SATAB and SA Bookmakers.

The delay has been a result of some technical issues raised by Treasury, but as a result of meetings that the CEO and I have had with the Deputy Premier John Rau, who is also now the Minister for Gambling, I am confident that those issues have been addressed and we believe that fixed odds betting via Tattsbet on course will be in place for the bulk of spring racing.

Regional Development

TRSA Board and Management continue to work with Mount Gambier Racing Club and Port Augusta Racing Club on developments at their racecourses. TRSA remains committed to and recognises the importance of regional racing, particularly in a State with the geographical dimensions of South Australia.

Port Lincoln & Eyre Peninsula Racing

It has been pleasing to note an increase in the average number of starters and increased support by trainers to Port Lincoln in particular, but also to the non TAB Clubs in the west of our State. Preservation of community support for, and attendance at, race meetings in that area is critical to maintaining the profile and image of racing in the State generally. TRSA has been able to provide some capital assistance to assist with improved facilities, thereby supplying additional incentives to participants.

Australian Racing Board

I am pleased to report that Jim Watters has been appointed Chairman of the National Race Dates Committee and I have been appointed to the National Equine Integrity and Welfare Group Committee.

Government Liaison

I acknowledge the ongoing commitment and support from the Honourable Tom Kenyon to the industry. I also take the opportunity to thank the Deputy Premier John Rau who has liaised with us and provided assistance to us in his portfolio of gambling.

Dan Van Holst Pellekaan acquired the Shadow portfolio for racing during the 2012 year and has exhibited an obvious interest in the industry. He demonstrates an awareness of the importance that racing has to the community generally.

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TRSA Management & Staff

We are fortunate that we have such a hardworking and dedicated staff. Our Chief Executive Officer, Jim Watters and our Chief Operating Officer Nick Redin are to be commended for their industrious and committed approach to the industry and its participants.

Our Marketing Department led by Jane Wellington, has developed an excellent relationship with Clubs and provided considerable assistance to them in promoting their respective events.

Graham Loch continues to preside over the Stewards' Panel in a manner which has commanded the respect of industry participants. Integrity of the industry is a critical matter and I believe that in this State we have the confidence of the public which is a reflection of the

manner in which our Stewards and Management have carried out their tasks.

I cannot emphasise too much the commitment and efforts of all of the Directors of Thoroughbred Racing SA. They undertake a responsible, and at times arduous role, cheerfully and with a genuine intention to serve the industry effectively.

Volunteers

Racing is probably the only industry of this size which is so dependent on the efforts of volunteers. The industry simply could not function without volunteers and I record on behalf of the Board our gratitude for the time and effort that each and every one of them makes in the interest of racing.



Frances Nelson QC
Chairman



Black Caviar - Winner of the 2012 Sportingbet Classic, trained by Peter Moody

Chief Executive Officer's Report



Jim Watters Chief Executive Officer

CEO's Report

Despite a year of 'soft' TAB turnovers along with other challenges to our revenue, the 2012 financial year has seen a sound result for thoroughbred racing in South Australia. The year's highlights were:

- total revenue increase of 4%
- revenue increase of 3% from wagering on South Australian thoroughbred racing by both local and national customers
- further prizemoney increases of 5.2%
- settlement of the sale of the surplus land at the Gawler & Barossa Jockey Club.

Key Financial Results

While I note once again that on the face of it it appears to be a "contradiction of terms" to note that the year under review was a 'good result' when a loss has been recorded, due to the nature

of our business, reference to our result must be in terms of the Budget for the year. On that basis, TRSA posted a Loss of \$474,212 before Abnormal Items, which compares positively with the 2011/12 Budget noted in the 2011 Annual Report, which had been for a Loss of \$557,683.

It is important to repeat the comments made in the 2011 Annual Report, when adopting a negative Budget. TRSA recorded a surplus of \$6.764M in the 2008/09 year, which the Board resolved to retain a major portion of, to enable it to adopt a more structured approach to the implementation of future prizemoney increases. A large part of the cash reserves created by the 2008/09 surplus was utilised to bring forward by approximately three years, the prizemoney increases which had been planned for 2012/13. The substantial cash reserves achieved in 2008/09 have been wound back over the following years to the required level set by the Board. Hence the rationale behind the Board's decision to adopt negative Budgets as the 2008/09 surplus is distributed by way of increased prizemoney and industry payments.

TRSA's total 2011/12 Revenue was up \$1.783M (+4%), at \$46.118M. The two major expenditure items; Prizemoney and Industry Payments, accounted for \$40.269M, a combined increase of \$1.477M (+3.8%). Prizemoney itself was up \$1.675M (+5.2%). Therefore 93.9% of our increased Revenue was distributed by way of prizemoney increases.

Prizemoney (including Unplaced Subsidies and SABOIS Bonuses) has now increased by \$10.869M since FY07 (+46.60%)

Industry Payments at \$6.073M, decreased by \$197,755 due to lower Capital Grants' funding to Clubs for 2011/12. Excluding this Capital Grant funding from the comparison, Industry Payments were in fact up 3.73%. The TRSA Board remains committed to the Club funding model established in 2009, whereby TRSA pays the bulk of Club raceday operational costs, including ambulance, vision and a number of raceday staff.

While it has fallen slightly as a percentage of TRSA's total Revenue, from 67.20% in 2010/11 to 66.10% for 2011/12, the TAB Product Fees paid to us by SA TAB continues to be by far the biggest source of revenue for the South Australian racing industry. Although it may have decreased slightly as a percentage of total revenue, the TAB Product Fee as a quantum increased by \$694,268 (+2.3%), similar to 2010/11 where it had increased by \$690,509 on the previous year. Despite concerted efforts by both the Greyhound and Harness Codes to grow their Market Share (through additional race meetings), the Thoroughbred Code achieved Market Share in 2011/12 of 70.26%. While this was marginally down on the previous year's 70.69% which had been the highest achieved for several years, it was still a very good result.



Invest - Winner of the 2012 Schweppes Oaks, trained by Heath Connors

The \$2.40M from the SAJC by way of Contribution to Industry Prizemoney, which is sourced from a portion of the financial return achieved by the Club on the investment of the net proceeds from the sale of Cheltenham, whilst up on last year is in line with the current agreement in place with the SAJC.

Revenue from the Wagering Tax rebate has increased annually as the percentage amount of the Wagering Tax payable by SA TAB to the State Government is distributed back to the racing industry at a pre determined increasing scale. Effective from 1 July 2012, the industry

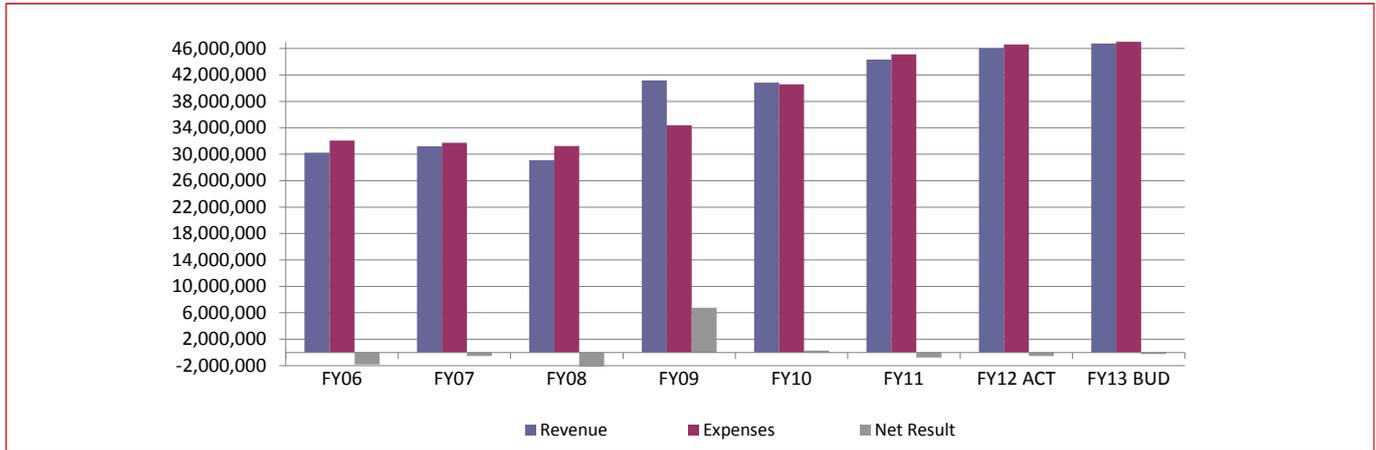
will receive the full amount of the Wagering Tax paid by the SA TAB to the State Government.

The TRSA Board continues with a strong focus on maximising returns to participants. In striving for such, Prizemoney distribution accounts for 73.40% of our Expenses, up on the 72.10% and 71.40% over the previous two years.

Similar to last year, 74.15% of TRSA's Revenue was returned to participants by way of Prizemoney distribution.

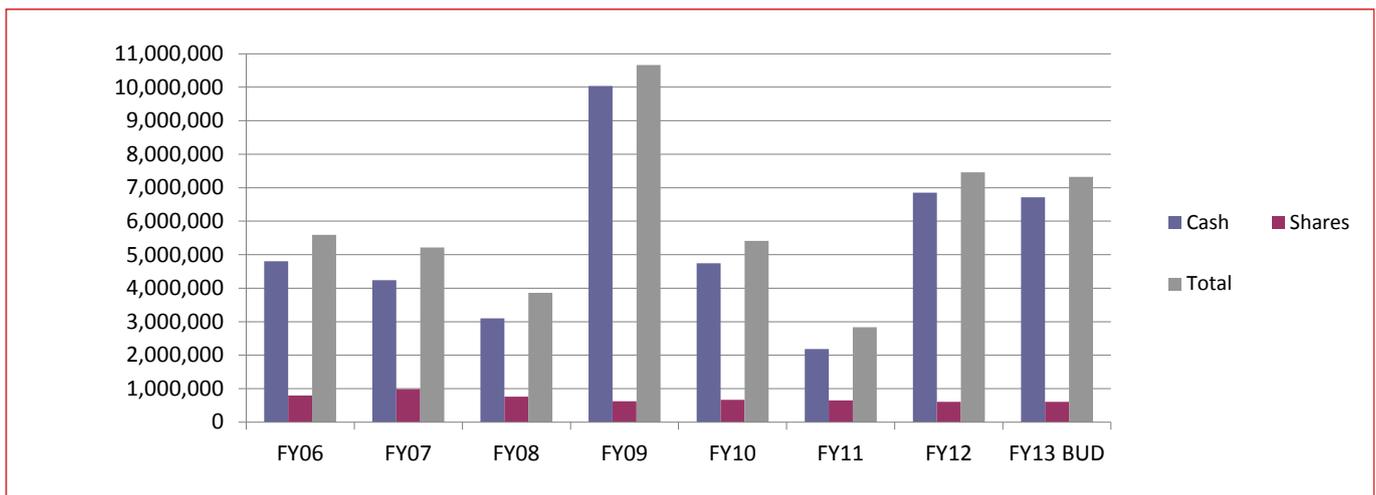
Overall Company Profitability and Reserves

The chart below shows the Company's results for the last seven financial years, and the 2011/12 Budget.



	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Revenue	30,230,870	31,187,859	29,116,726	41,163,197	40,833,921	44,335,300	46,038,136	46,752,634
Expenses	32,047,203	31,738,141	31,255,121	34,399,079	40,554,945	45,102,006	46,592,756	47,005,601
Net Result	(1,816,333)	(550,282)	(2,138,395)	6,764,118	278,976	(766,706)	(554,620)	(252,967)

The chart below shows the Company's cash reserves and value of share holdings as at 30 June for the last seven financial years, and the 2011/12 Budget position.



	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Cash	4,801,225	4,235,012	3,098,427	10,039,823	4,745,639	2,182,115	6,851,737	6,713,078
Shares	794,830	982,301	761,239	622,130	669,922	648,970	608,184	611,000
Total	5,596,055	5,217,313	3,859,666	10,661,953	5,415,561	2,831,085	7,459,921	7,324,078

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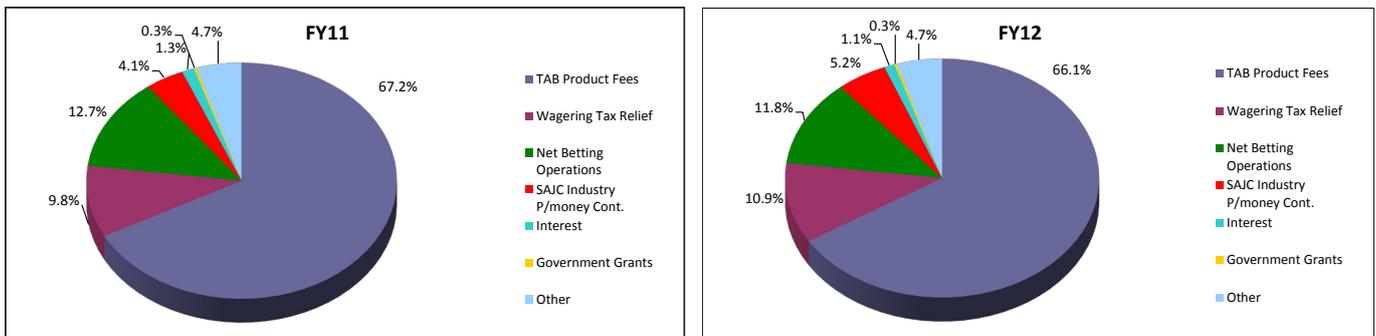
The data for 2007/08 and 2008/09 does not include State Government Grant Funds received for the Gawler redevelopment, the balance of which at reporting date was \$6M and \$5.25M for the two years respectively. This amount was nil at 30 June 2010 and for subsequent years.

The change in cash in 2009/10 and 2010/11 was due to the increase in monies loaned to Clubs that are not treated as 'cash' for the above purposes.

The improvement in the position in 2011/12 was due to the vast majority of the loans to Clubs being repaid in full during the 2011/12 financial year.

Revenue

The charts below show the proportion of revenue for each source of revenue for the last two financial years.



	FY11		FY12		Change	
TAB Product Fees	29,806,844	67.2%	30,501,112	66.1%	694,268	2.3%
Wagering Tax Relief	4,336,805	9.8%	5,019,896	10.9%	683,091	15.8%
Net Betting Operations	5,614,261	12.7%	5,434,758	11.8%	(179,503)	-3.2%
SAJC Industry P/money Cont.	1,800,000	4.1%	2,400,000	5.2%	600,000	33.3%
Interest	564,057	1.3%	485,892	1.1%	(78,165)	-13.9%
Government Grants	120,000	0.3%	120,000	0.3%	-	0.0%
Other	2,093,333	4.7%	2,156,885	4.7%	63,552	3.0%
TOTAL	44,335,300	100.0%	46,118,543	100.0%	1,783,243	4.0%

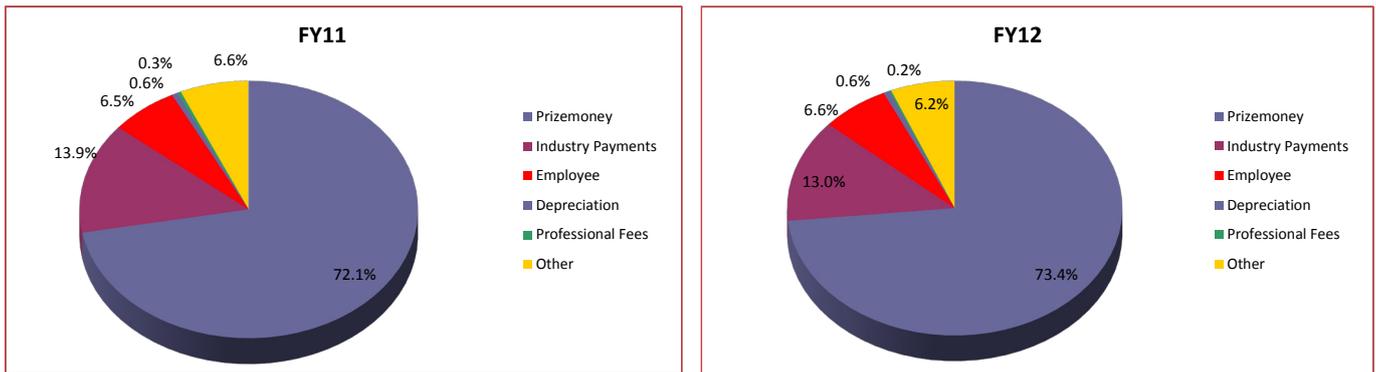
2011/12 Net Betting Operations Contribution (BOC) is after deductions of \$6.8M (2010/11 \$6.2M) relating to charges incurred by SA TAB from other States' Racefields Legislation (which is the equivalent to South Australia's BOC). Under the South Australian Racing Distribution Agreement, which is the Agreement between SA TAB and the three Codes following the sale of the SA TAB, SA TAB is entitled to recover from the Codes the cost to obtain Interstate racing product.

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

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Expenses

The charts below show the ratio to total expenses, for each of TRSA's major expense items, for the last two financial years.



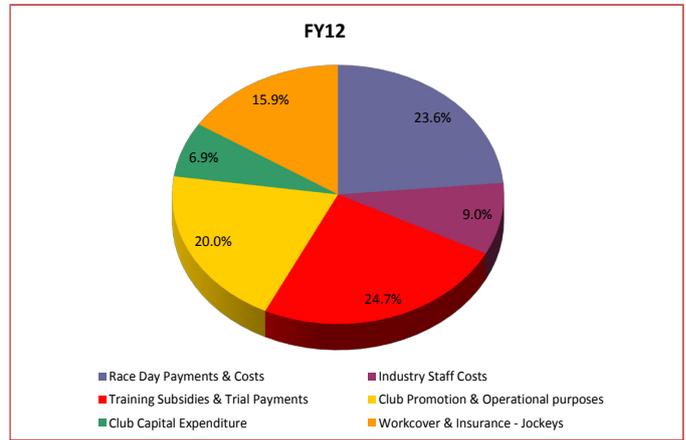
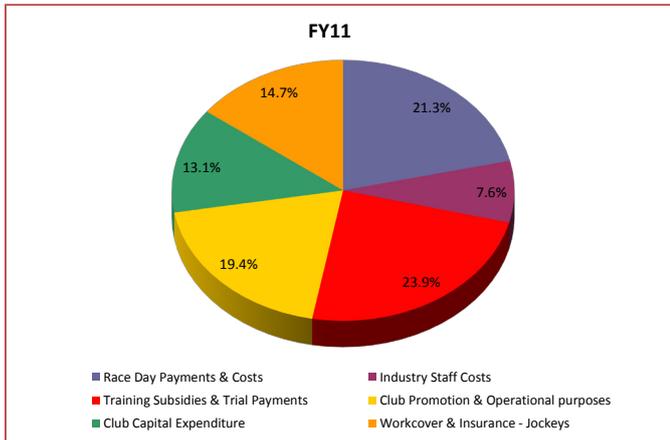
	FY11		FY12		Change	
Prizemoney	32,521,366	72.1%	34,196,774	73.4%	1,675,408	5.2%
Industry Payments	6,270,852	13.9%	6,073,097	13.0%	(197,755)	-3.2%
Employee	2,929,298	6.5%	3,069,811	6.6%	140,513	4.8%
Depreciation	258,887	0.6%	275,761	0.6%	16,874	6.5%
Professional Fees	152,263	0.3%	86,634	0.2%	(65,629)	-43.1%
Other	2,969,340	6.6%	2,890,678	6.2%	(78,662)	-2.6%
TOTAL	45,102,006	100.0%	46,592,755	100.0%	1,490,749	3.3%



War Ends - Winner of the 2011 Carlton Draught Murray Bridge Gold Cup, trained by Mark Kavanagh

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Industry Payments Breakdown



	FY11		FY12		Change	
Race Day Payments & Costs	1,337,947	21.3%	1,430,957	23.6%	93,010	7.0%
Industry Staff Costs	478,987	7.6%	545,248	9.0%	66,261	13.8%
Training Subsidies & Trial Payments	1,500,000	23.9%	1,499,000	24.7%	(1,000)	-0.1%
Club Promotion & Operational purposes	1,215,483	19.4%	1,215,827	20.0%	344	0.0%
Club Capital Expenditure	818,634	13.1%	417,279	6.9%	(401,355)	-49.0%
Workcover & Insurance - Jockeys	919,801	14.7%	964,785	15.9%	44,984	4.9%
TOTAL	6,270,852	100.0%	6,073,097	100.0%	(197,755)	-3.2%



Magical Pearl - Winner of the 2011 The Advertiser Newspapers Balaklava Cup, trained by Dennis O'Leary

Adelaide Autumn Racing Carnival

Following consultation with the various sector groups in 2010 and 2011, in July 2011 TRSA formally announced the establishment of the Adelaide Autumn Racing Carnival, and sought the support of the Australian Racing Board's Australian Pattern Committee as to the move of several of our Black Type races into the defined Carnival period in late April and early May. This planning came to fruition on 28 April 2012 with the commencement of the new Adelaide Autumn Racing Carnival, and we could not have wished for a better launch, with Black Caviar taking her record unbeaten sequence to 20, in the Group 1 Sporting Bet Classic.

Working in conjunction with the SAJC, we have been able to establish a Carnival through April and May, and on the last three consecutive Saturdays there is total prizemoney on offer of \$3.5M. Also in conjunction with the SAJC, both the Group 1 SA Derby and the Group 1 Distinctive Homes Goodwood became South Australia's first \$500,000 races, with the prizemoney for each rising by over 40% from their 2011 levels of \$350,000. During the last three weeks of the Carnival we ran four Group 1, one Group 2, five Group 3 and seven Listed events.

Black Caviar

The Black Caviar "phenomenon" gripped South Australia, not once but twice as the Champion mare "launched" the South Australian Autumn Racing Carnival on 28 April and then brought the curtain down on the last day of

the Carnival when she extended her unbeaten winning sequence to 21, with victory in the Group 1 Distinctive Homes Goodwood at Morphettville on Saturday 12 May. Media attention, both nationally and internationally, on Black Caviar's presence in Adelaide was quite simply phenomenal.

As I noted in The Races immediately after her two appearances in Adelaide, Black Caviar's presence swept Adelaide and South Australia along on a wave of emotion and excitement, not seen in many, many years, with hardened racing stalwarts brought to tears on the day. Here we had a horse forcing racing onto the front pages of newspapers, into prime television viewing and even resulting in the AFL changing the start time of an AFL game on 12 May. When a crowd of 30,000 came to Morphettville on 28 April to see and cheer her on in her record attempt of 20 consecutive wins, many said we would not see the same for years to come, if ever. When it was then announced Black Caviar would be back two weeks later, several pundits doubted the same support would be forthcoming. But how wrong they were when a similar crowd flocked to Morphettville as she extended her own world record to 21 wins straight, before she went on and made it 22 at Royal Ascot.

The SAJC is to be congratulated on their outstanding efforts with Black Caviar. Not only with her appearances in Adelaide but in the manner in which they managed the events on both days. Both of these racedays with the massive increase in attendances above the "norm" would have provided a huge challenge to any organisation

in terms of logistics, etc. The SAJC provided a great experience for all, and received many justified plaudits for their efforts. TRSA worked with Sky Racing to ensure the vision which went out to Australia and overseas, was the equal of any other interstate race meeting. The South Australian racing industry's thanks goes out to Premier Jay Weatherill, the State Government and various Government departments, local Councils and transport operators, Sky Racing, all media, racing participants and not the least, to the public of Adelaide and South Australia as a whole, for the success and memories created from these days.

Race Programming and Statistics

In 2009/10 we introduced significant changes to race programming and classifications. This led to the benefits we had anticipated in starter numbers, and for the 2010/11 year we saw a 20% increase in the number of starts in South Australia by South Australian trained horses. Also in 2010/11 there was a 21% reduction in the number of "non third dividend" races at our Saturday race meetings. Total starter numbers in South Australia, for South Australian trainers for the 2011/12 year were up 140 or 0.90%, a sound result following the previous year's 20% increase. However unfortunately the number of "non third dividend" races at our Saturday meetings increased by 23 (+25%). Management are actively looking at this increase with a view to further fine tuning of Saturday programmes, and have recently met with trainer representatives to review.



Go The Knuckle - Winner of the 2012 Centrebet Classic, trained by Mark Minervini

Adelaide Cup Date

As I reported in the 2011 Annual Report, TRSA had undertaken an assessment and analysis of the various options as to the most appropriate and effective placement of the Adelaide Cup and the associated public holiday. This led to a submission being tabled by TRSA with the State Government, seeking to have the Adelaide Cup public holiday moved back to May with the preferred option by the racing industry being to run the Cup in May but to maintain the link to the public holiday. As I advised at the time, disappointingly the Government declined the industry's request.

We have continued to press for this change, and in December 2011

provided a further submission to Government that the Adelaide Cup public holiday move from March to May, as part of the State Government's Review of the Holidays Act 1910 (SA). Subsequent to that Review, the Premier appointed Warren McCann to undertake a report and review into events held in Adelaide in March in what is referred to as the "Mad March" period. TRSA and the SAJC participated in that process and the completed Review was released in July 2012, under the title, "*Review of South Australia's Major Events Held in March*". The Review recommends the retention of the current March public holiday (which is the Adelaide Cup public holiday) but contains a further recommendation that the Queen's

Birthday public holiday be moved from June to May (second Monday), with the intention being that the Adelaide Cup be run on that day. Government has sought public comment on the latest Review (which TRSA responded further to) by 11 October and we now await the outcome of such.

Wagering Revenue

As I have noted earlier in my report, and as can be seen from the attached Financial Statements, the success of the racing industry relies heavily on wagering revenue, and in South Australia 66.10% of our revenue comes from SA TAB. It has been well documented in the media that during the course of the 2011/12 year, the group often referred to as the "Pro Punter Group" withdrew from wagering in Australia until they resolve alleged issues that they have encountered with the Australian Taxation Office. This group had operated in South Australia for some 20 years with their wagering in the last five years or so having risen to approximately 10% the volume of wagering turnover in South Australia. This has impacted on the 2011/12 year for approximately four months and will obviously have a significant impact on revenue moving forward.

TRSA and Racing SA have introduced a revised Betting Operations Contribution charging model effective from 1 August 2012 which will grow revenue from wagering on South Australian racing.

Resources Provided to Clubs

TRSA continues to provide resources in various areas, to South Australian racing Clubs, in particular in the areas of WH&S, Liquor Licensing and Marketing. We continue to assist many Clubs in improving their compliance with Liquor Licensing requirements, while potentially the greatest challenge for Clubs is still likely to be with regards the implementation of the new Work Health and Safety Bill. Our Industry Operations Manager has commenced workshops around the State to assist Clubs in that regard.

Recognition of our industry brand, "There's nothing like a day at The Races", continues to grow with collective benefits across the State, beyond that which can be gained by Clubs individually. Virtually all Clubs are committing to the branding and TRSA's Marketing Department continues to provide practical assistance to Clubs with marketing expertise, group buy-in and importantly the production of advertising and marketing collateral for individual Club use.

The television advertisement we produced last year, as we moved to the second phase of our re branding which had commenced in 2009, has been utilised around our key race meetings as we move into this important area of our advertising strategy.

South Australian Thoroughbred Racing Industry Awards

I again take the opportunity to congratulate all winners of the 2011/12 season's South Australian Thoroughbred Racing Industry Awards. Again the quality and professionalism of South Australia's racing was reflected in the awards, with one of the season's highlights undoubtedly being Southern Speed's victory in the 2011 Caulfield Cup. Due to a long term booking the SAJC has with part of their facilities, the 2012 Awards were held at the Stamford Grand, Glenelg. This was a highly successful evening, and many participants seemed to enjoy the function being away from their workplace.

Conclusion

While we cannot deny that there will be challenging times ahead for the South Australian racing industry as we encounter "soft" turnover growth, over the past 2-4 years we have established a platform which should still provide a level of confidence for participants. With the pressure on our revenue due to generally weaker market and wagering conditions, we cannot anticipate the same increases and growth as we have achieved in recent years. However that growth should sustain us in the short term at least, as we benefit from increased confidence following the prizemoney increases through 2010-2012. South Australian racing is still an attractive wagering medium for



Clare Lindop - 1,000 career winners

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interstate operators, and an appropriate charging model for wagering on our racing is vital. So too is greater recognition from Government as to the significance and importance of racing in this State, especially in terms of employment, and TRSA will be increasing its efforts to promote such, as the main political parties formulate their manifestos ahead of the 2014 State election.

In conclusion, I thank all of the staff at TRSA for their efforts and contribution towards the continued growth and success to date of thoroughbred racing in our State. They work as a dedicated team to enhance racing in South Australia and implement Board policies.

Thank you also to all racing clubs and all participants in the South Australian racing industry for your contribution towards thoroughbred racing at all levels in South Australia.



Jim Watters
Chief Executive Officer



Basil Da Man - Winner of the 2012 Oakbank Stakes, trained by David Jolly

South Australian Thoroughbred Racing Industry Awards 2011-12

Award	Winner
E.J. Mooney Medal for South Australian Jumps Jockey of the Year	Steven Pateman
South Australian Jumps Trainer of the Year	Patrick Payne
TattsBet South Australian Provincial and Country Apprentice of the Year	Jordan Frew
South Australian Metropolitan Apprentice of the Year	Nathan Rose
Leon Macdonald Award for South Australian Apprentice of the Year	Jordan Frew
South Australian Most Consistent Racehorse	Outlandish Lad
Most Outstanding Achievement Award by an Individual	John Glatz
Most Outstanding Achievement Award by a Club	SAJC
TattsBet South Australian Provincial and Country Jockey of the Year	Justin Potter
South Australian Jockey of the Year	Matthew Neilson
South Australian Provincial and Country Trainer of the Year	Mick Whittle
South Australian Metropolitan Trainer of the Year	Tony McEvoy
Media - Best Racing Story	Craig Cook
Media - Best Racing Picture	Peter Fuller
Glennon-Johnson Award for South Australian Metropolitan Jockey of the Year	Matthew Neilson
CS Hayes Award for South Australian Trainer of the Year	Tony McEvoy
John Letts Medal	Matthew Neilson
Festival Hire South Australian Champion Racehorse of the Year	Budriguez
Hall of Fame	
Horse	Royal Gem
Horse	Rubiton

Chairman Of Stewards' Report



Graham Loch Chairman of Stewards

The Stewards' Department continues to provide a diverse range of services to the Industry, with the emphasis on maintaining integrity, with an increasing focus on safety and welfare aspects.

Stewards' Department – Functions

The activities of the Stipendiary Stewards' Department include:

- Managing the safe conduct and integrity of the racing industry (and its products)
- Managing the welfare of the racehorse
- Officiating at all race meetings and official trials in South Australia
- Attending trackwork sessions at various training facilities
- Conducting track and stable inspections
- Management of, and advising on rider safety
- Management of sampling strategies (horses) including out of competition testing and race

morning functions

- Conducting inquiries into race rides, various breaches of the Rules and conduct of licensed persons
- Investigating wagering activities, and
- Investigating the use of illegal substances.

In addition to these basic functions, the Department carries responsibility for the additional services:

- Licensing
- Veterinary
- Deputy Registrar
- Apprentice Academy
- Jumps Review Panel

During the racing season, 43 riders answered charges of Careless Riding, which resulted in a suspension of licence. This number represents an 18% reduction on the previous year.

In addition, the Stewards conducted 24 significant investigations into breaches of the Rules.

Stewards' Department - Personnel

Senior Steward, Philip Anderson, resigned from the Panel to undertake an exciting challenge with the Selangor Turf Club in Kuala Lumpur.

As a consequence, Thoroughbred Racing SA were successful in convincing former Steward, Peter Matthews, to return to employment on a casual basis and employed Sean Callanan as a Cadet Steward.

Licensing

During the year, Steward Matt Santoro took responsibility as Licensing Steward with Steward Andrew Hayles, for the registration of stable employees.

The criteria for all licences was reviewed during the year. Appropriate Rule amendments were adopted by the Thoroughbred Racing SA Board. From 1 August 2012, all new applicants for an Owner Trainer's Permit shall be required to have completed a Certificate IV in Racing (Thoroughbred Trainer) with those applying for a Permit to Train required to complete the Diploma in Racing (Thoroughbred Trainer).

During the year the Stewards' Department increased visits to the premises of licensed Trainers. These visits, which are not always announced, serve numerous functions including; understanding which staff are involved in a particular stable, identifying which horses are present and where applicable, horses that are not on the property for which the Trainer takes responsibility, the standard of management and husbandry, the condition of horses on the property, apparent OH&S issues and examining treatment books, as well as identifying veterinary products and in particular products which are not prescribed or labelled in accord with legislation.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Chairman Of Stewards' Report**

During the 2011/12 Racing Season, the following licences were processed by the Department –

	2011/12	2010/11
Trainers	338	336
Jockeys	45	38
Apprentices	17	13
Interstate Jockeys	82	86
Interstate Apprentices	31	27
Stablehands	447	420
Stablehand / Trackwork Riders	173	178

Veterinary Services

The Industry Veterinary Surgeon, Dr. Peter Horridge, continues to provide and supervise veterinary services on metropolitan and provincial racetracks. The Industry remains indebted to those Veterinary Surgeons who regularly complement Dr. Horridge in the metropolitan area, in particular Dr. Agnew and Dr. Lewis from the Morphettville Equine Clinic, Dr. Bowden and Dr. Haensel, and those who service the various country race meetings.

Dr. Horridge represents Thoroughbred Racing SA at meetings of the National Equine Integrity and Welfare Group (NEIWAG) and the Department of

Primary Industries and Resources SA (PIRSA), as well as Biosecurity SA. He also provides expert advice to Stewards' inquiries and to appeal hearings as well as advice to the Industry on veterinary and equine welfare matters.

The following samples were tested during the year –

	2011/12	2010/11
Post-race urine samples	1050	1029
Pre-race blood samples TCO2	1080	1022
Post-trial urine samples	24	12
Non-race day samples	5	37
No. of positive tests	2	3

A robust testing strategy continues to be a critical element in the Authority's attempts to provide a level playing field for all competitors, protecting the health and welfare of horses, the safety of riders, and maintaining the confidence of the betting public and the broader community in the integrity of the South Australian thoroughbred racing industry and its product.

During the course of the year two batches of samples from South Australian race meetings were provided to the Hong Kong Jockey Club's Laboratory for analysis. This is not an inexpensive exercise but one which the Authority considers to be justified. All samples, which were analysed for ITPP as well as EPO, were cleared by the Laboratory.



Southern Speed - 2011/12 South Australian Horse of the Year, trained by Leon Macdonald and Andrew Gluyas

THOROUGHBRED RACING SOUTH AUSTRALIA: **Chairman Of Stewards' Report**

For the first time Thoroughbred Racing SA Stewards required horses accepting for certain feature races, including all Group 1 events, to be present on course at least three hours prior to racing. In addition, pre-race blood samples for TCO2 testing were taken from all horses contesting the selected races.

In view of the favourable response to the initiative, the Stewards may look at extending the policy this season.

During the year, eighteen (18) runners recorded elevated levels resulting in the Stewards issuing eleven (11) Trainers with notification that analysis of a pre-race sample had reported an elevated TCO2 result. Trainers receiving notices are encouraged to review their stable management, feeding regime and husbandry practices. In some instances, further samples were taken from the horses concerned.

Thoroughbred Racing SA continues to monitor various aspects relating to horse welfare.

During this year it was noted eight (8) horses experienced heat stroke requiring first aid, whilst thirty-one (31) horses bled from both nostrils and incurred sanctions under Rule ARR.53A.

Deputy Registrar

Under the Rules of Racing, Racing Information Services Australia (RISA) has the status of Registrar of Racehorses. Thoroughbred Racing SA (TRSA) is a shareholder of RISA, which processes all new horse registrations. In addition



Zabellonaire - Winner of the 2012 Centrebet South Australian Derby, trained by Leon Corstens

TRSA has the role of Lead Regulator under legislation, effectively acting as watchdog in the State of South Australia for the Australian Securities and Investments Commission (ASIC).

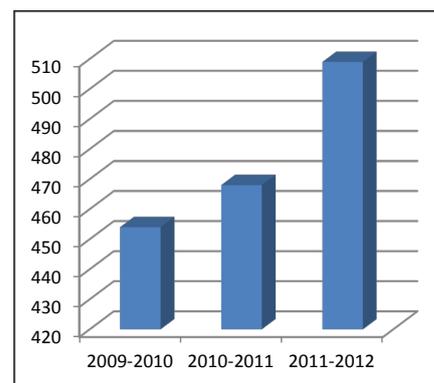
Separately, TRSA acts as Deputy Registrar for South Australian registration functions, which include Transfers of Ownership, Leases, Syndications and the approval of Promoters.

Deputy Chairman Johan Petzer and Personal Assistant Liz Tosetti fulfil the role of Deputy Registrar.

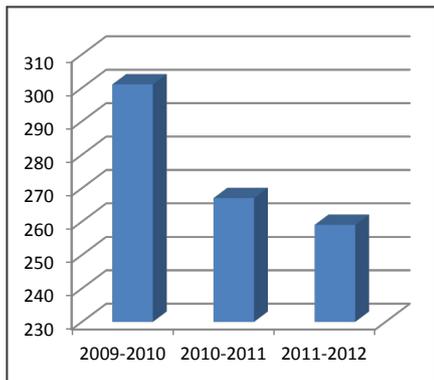
During the year the Department processed a large volume of Transfers and Leases, which are also scrutinised to ensure they are bona fide and completed appropriately. With the introduction

of Rules permitting as many as twenty (20) individual owners in any horse, the present workload will increase.

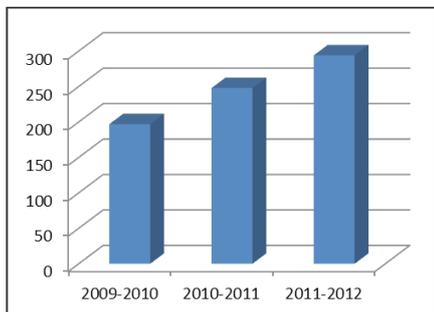
Transfers processed by Thoroughbred Racing SA



**Leases processed by
Thoroughbred Racing SA**



**Syndicates registered with
Thoroughbred Racing SA**



TRSA, together with other PRA's, are investigating processes by which the Transfer of Ownership for racehorses becomes more user-friendly.

Apprentice Academy

Thoroughbred Racing SA again supported the annual National Apprentice Jockey Challenge with a Heat conducted by the South Australian Jockey Club at Morphettville. The final leg of the Challenge was conducted at Alice Springs in the Northern Territory.

Local apprentices Jordan Frew, riding



Toboggie Nights - Winner of the 2012 Great Eastern Steeple, Oakbank Easter Racing Carnival

JEUNALISTIC for Trainer Ken Sweeney, maintained the local's good record in winning the Morphettville leg of the Series after having the placings reversed in the Stewards' room. In an exciting finish to the Challenge in the final leg in Alice Springs, Tillie Neve won the Series for South Australia when successful on MAX MAX. This is the third time South Australia has been successful in the Challenge in its five year history.

Jordan Frew capped a great year by being named Dux of the Apprentice Academy at the Annual Apprentice Awards Evening on 28 November 2011.

The Academy had 17 apprentices enrolled with 13 having been granted permission to ride in races.

Attendance at the Academy on Tuesdays and at additional riding skills sessions conducted on Fridays is mandatory.

The partnership with TafeSA Morphettville Horse Skills Centre, our training provider delivering the Certificate IV in Racing, and the training facility at Morphettville continues to benefit the Industry.

In his role, the Training Supervisor Bill Forrestal liaises with Industry bodies including Race Training SA, TafeSA, Racing Enterprise Advisory Board and the PRA National Training Committee as well as providing a conduit for schools and interested groups seeking information regarding career opportunities.

The Apprentice Trust Fund continues to

THOROUGHBRED RACING SOUTH AUSTRALIA: **Chairman Of Stewards' Report**

be managed within the Department by Personal Assistant Liz Tosetti.

Jumps Review Panel

The Jumps Review Panel (JRP) is presently co-ordinated by Chair, Steward Andrew Hayles, and consists of independent members Mr. Richard Best and Mr. Dennis Edmonds, together with the Industry Veterinary Surgeon Dr. Peter Horridge. During the year the previous Chair, Senior Steward Philip Anderson, left to take up a position as Acting Deputy Chairman of Stewards, Selangor Turf Club, in Malaysia.

Members of the JRP attended most race meetings which included jumping events.

The JRP also met after each jumping race to review the performances of all horses and riders and to discuss other aspects of jumping races, including the positioning of jumps.

Regular consultation occurred with Racing Victoria Limited's Jumps Review Panel to ensure that consistency existed between States.

Liaisons and Contacts

Industry matters continued to be addressed through liaison by the Department with a number of bodies, including –

- Office of the Minister for Racing
- Independent Gambling Authority
- Australian Racing Board through National Chairmen to Stewards Advisory Group
- RISA
- SA Jockeys' Association
- Australian Jockeys Association
- SA Trainers' Association
- Interstate and Overseas Principal Racing Authorities
- ARB Medical Officer

- National Equine Integrity and Welfare Advisory Group
- PIRSA – Biosecurity SA
- SA Bookmaker's League
- South Australian Jockey Club (SAJC)
- South Australian Racing Club Council (SARCC)
- AEVA
- RSPCA
- SA Jumping Association
- Limestone Coast Thoroughbred Racing (LCTR)



G. M. Loch
Chairman of Stewards



Detox - Winner of the 2012 Provincial Super Series, trained by Jake Stephens



THOROUGHBRED RACING SOUTH AUSTRALIA

FINANCIAL REPORT

2012

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THOROUGHBRED RACING S.A. LIMITED ABN 25 094 475 939
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Directors' Report

The directors present their report together with the financial report of Thoroughbred Racing SA Limited ("the Company") for the period ended 30th June 2012 and the auditor's report thereon.

Directors

The directors of the Company throughout the financial year are:

Name and Qualifications	Experience and Special Responsibilities
<p>Ms Eleanor Frances Nelson QC LLB Chair</p>	<p>Frances is a barrister.</p> <p>She has considerable experience with the racing industry in SA and has conducted a number of inquiries into the Industry on behalf of Government and served on the Oakbank Committee for 20 years.</p> <p>She is the Chair of the Parole Board of South Australia and holds board positions on a number of privately owned companies.</p> <p>Frances is a member of the South Australian Jockey Club Inc and the Oakbank Racing Club Inc.</p> <p>Chairperson - Jumps Committee Chairperson - Race Dates Committee Member - Finance Committee</p>
<p>Mr Brian Morris BA (Acc), LLB, FCA, FCPA, MAICD Term Ended 25 October 2011</p>	<p>Brian is a Chartered Accountant and Partner of Edwards Marshall.</p> <p>He is a former member of the Companies Auditors Disciplinary Board and has served on the Board of the South Australian Film Corporation. He holds board positions on a number of privately owned companies.</p> <p>Brian is a member of the South Australian Jockey Club Inc.</p> <p>Chairman - Finance Committee Member - Marketing Committee</p>
<p>Mr David Rasheed BA (Acc), CA, CTA</p>	<p>David is a chartered accountant and is Chairman of Partners of Tilbrook Rasheed Chartered Accountants.</p> <p>He is involved in the industry as an owner and breeder and has served on the Board of the South Australian Jockey Club. He holds board positions on a number of privately owned companies.</p> <p>David is a member of the South Australian Jockey Club Inc.</p> <p>Chairman - Finance Committee Member - Race Dates Committee</p>

THOROUGHBRED RACING SOUTH AUSTRALIA: **Directors' Report**

Name and Qualifications	Experience and Special Responsibilities
<p>Mr Simon Ward LLB</p>	<p>Simon is a solicitor and Partner of Piper Alderman. He regularly advises on the Rules of Racing and legislation affecting the industry. He is a Board member of YMCA INEA and the Legal Assistance Fund of the Law Society of SA. Simon is a member of the Oakbank Racing Club Inc. Member - Race Dates Committee</p>
<p>Mr David Cross BEc, CA, GAICD</p>	<p>David has a background in economics and accountancy. His passion for thoroughbred racing developed through working for bookmakers whilst studying at university. His career includes fifteen years with SOLA International Inc. in varied roles including that of Managing Director. He holds non executive roles with RAA Insurance and Thai Optical Group Ltd along with the position of Vice President of the RAA of SA Inc. David is a member of the South Australian Jockey Club Inc. Chairman – Marketing Committee Member – Finance Committee</p>
<p>Mr Brian Foster</p>	<p>Brian is a retired businessman. He has a long history of involvement in the thoroughbred racing industry of South Australia and has held various positions on the South Australian Racing Clubs Council and the Murray Bridge Racing Club. He is involved in the industry as an owner and breeder. Brian is a member of the South Australian Jockey Club Inc and the Murray Bridge Racing Club Inc.</p>
<p>Mr Ken Smith AM</p>	<p>Ken owns and operates a private business. He is a former Deputy Chairman of the South Australian Jockey Club and has a lifelong interest in the thoroughbred racing industry as both an owner and breeder. He holds and has held numerous positions on boards of both government and private enterprises. Ken is a member of the South Australian Jockey Club Inc, Oakbank Racing Club Inc, Murray Bridge Racing Club Inc and the Strathalbyn Racing Club Inc. Member - Race Dates Committee Member – Jumps Committee</p>

Name and Qualifications	Experience and Special Responsibilities
<p>Mr Chris Atkins FCA Appointed 25 October 2011</p>	<p>Chris is a chartered accountant and is Managing Partner of Australian Super Fund Audits</p> <p>He has a long history as an owner and breeder in the thoroughbred racing industry in South Australia & Victoria.</p> <p>Chris is a member of the South Australian Jockey Club Inc.</p> <p>He is Chairman of Down Syndrome SA and holds Board positions on a number of private Companies.</p> <p>Member - Finance Committee</p>

Company Secretary

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

Name and Qualifications	Experience and Special Responsibilities
<p>Mr Nicholas Redin BSc (Acc)</p>	<p>Mr Redin is the Chief Operating Officer of Thoroughbred Racing SA Ltd</p>

Principal Activities

The Company is a company limited by guarantee.

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

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

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

General operations

The general operations of the company are to:

- (a) Receive distributions from SA TAB Pty Ltd from thoroughbred betting in South Australia;
- (b) Receive payments from organisations situated outside of South Australia that take bets on races conducted in this State;
- (c) Employ the personnel required to regulate the industry, plan and programme race meetings, conduct race

meetings and remunerate participants in thoroughbred horse racing;

- (d) Make payments of prize money to owners, trainers and jockeys;
- (e) Provide financial support and management assistance to racing clubs throughout South Australia;
- (f) Negotiate vision rights with suppliers for thoroughbred races;
- (g) Represent the South Australian industry's relationship with the Australian Racing Board Ltd and other controlling authorities throughout Australia;
- (h) Manage the industry's relationship with the State Government, primarily through the Minister for Racing.

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

Review and Results of Operations

Review of Operations

The company's operating loss for the year was \$474,212.

The result reflects significant increases in prizemoney and SABOIS bonuses paid which exceeded the 2010/11 year by \$1.675m.

Dividends

The Company's constitution prohibits the payment of dividends.

State Of Affairs

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

Events Subsequent To Balance Date

In the opinion of the Directors, no

matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Likely Developments

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

- Continued development and growth of the South Australian Racing Carnival during April and the first two weeks of May, aimed at lifting the profile of South Australian Racing on both the national and international scene.
- The completion of the development of the new Murray Bridge racing venue which should result in a racetrack that has greater appeal to the wagering public with a consequential benefit to the industry from increased wagering revenue.
- Continued monitoring and fine tuning of race programs aimed at driving wagering revenue.
- Develop initiatives aimed at improving both the race fields and attendances at Metropolitan, Provincial and Country race meetings.
- Working with the State Government and the SAJC to ensure there is a public holiday in May to which the Adelaide Cup can be moved in 2014.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Directors' Report**

Directors' Meetings

The numbers of meetings of the board and board committees and the attendances of each director are set out in the following table:

Director	Board	Finance	Marketing	Race Dates	Jumps
Mr B Morris	3	1	1		
Ms E Nelson QC	12	2		2	2
Mr D Rasheed	12	2		2	
Mr S Ward	12			2	
Mr D Cross	11	2	2		
Mr B Foster	12				
Mr K Smith AM	11				
Mr Chris Atkins#	8				
Total Meetings Held	12	2	2	2	2

* Mr Morris retired under Clause 30 of the Constitution at the Company's AGM on 25th October 2011.

Mr Atkins was appointed on 25th October 2011.

The board has also established a number of steering committees in respect of significant projects being undertaken at race clubs.

- Messrs Smith, Foster and Rasheed work on a committee with members of the Murray Bridge Racing Club Inc on the project to develop a new course and associated facilities at Murray Bridge.
- Ms Nelson QC is the Thoroughbred Racing SA Ltd nominated Director for Gifford Hill Pty Ltd, the joint venture company formed for the wider Murray Bridge Development.
- Ms Nelson QC is the Board liaison with the Port Augusta Racing Club on projects to realise surplus real property adjacent to the club's facilities and to redevelop the race course and facilities of that club.

Other Matters

Auditor's Independence Declaration

The Auditor's Independence Declaration is set out on page 28 and forms part of the directors' report for the financial year ended 30th June 2012.

Insurance of Officers

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

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability contract as such disclosure is prohibited under the terms of the contract.

Dated at Adelaide this 28th day of September 2012.

Signed in accordance with a resolution of directors:



F Nelson QC
Director

Auditor's Independence Declaration



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

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012, there have been:

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

William Buck

William Buck
ABN: 38 280 203 274

G.W. Martinella

G.W. Martinella
Partner

Dated this 28th day of September, 2012.

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

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Praxity
MEMBER
GROUP ALLIANCE OF
INDEPENDENT FIRMS

THOROUGHBRED RACING S.A. LIMITED

Financial Statements

Statement of Comprehensive Income

Thoroughbred Racing SA Limited. For the year ended 30 June 2012.

		30 June 2012	30 June 2011
	Note	\$	\$
Revenue	2	43,082,668	41,851,243
Other income	3	2,520,000	1,920,000
Financial income	4	515,875	564,057
Prizemoney	5(a)	(34,196,774)	(32,521,366)
Industry payments	5(b)	(6,073,097)	(6,270,852)
Employee expenses		(3,069,811)	(2,929,298)
Depreciation expenses		(275,761)	(258,887)
Legal fees		(86,634)	(152,263)
Financial expenses	5(c)	-	(842)
Other expenses	5(d)	(2,890,678)	(2,968,498)
Net Loss from operating activities		(474,212)	(766,706)
Loan Impairment - Mt Gambier Racing Club Inc.		(300,000)	
Net Loss for the year		(774,212)	(766,706)
Other Comprehensive Income:			
Net fair value (loss)/gain on re-measurement of investments in equity securities available-for-sale		(40,786)	(20,952)
Total Comprehensive Income for the year		(814,998)	(787,658)

The accompanying notes form part of these financial statements.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Financial Statements**

Balance Sheet

Thoroughbred Racing SA Limited. For the year ended 30 June 2012.

	Note	30 June 2012 \$	30 June 2011 \$
Current assets			
Cash and cash equivalents	6	6,851,737	2,182,115
Trade and other receivables	7	5,906,975	15,467,942
Other assets	8	81,704	124,846
Total current assets		12,840,416	17,774,903
Non-current assets			
Plant and equipment	9	1,174,976	1,358,197
Financial assets - Investments	10	1,062,821	1,023,199
Total non-current assets		2,237,797	2,381,396
Total assets		15,078,213	20,156,299
Current liabilities			
Trade and other payables	11	2,223,680	2,237,554
Borrowings	12	-	4,000,000
Provisions	13	581,072	510,256
Other liabilities	14	694,700	731,016
Total current liabilities		3,499,452	7,478,826
Non-current liabilities			
Provisions	13	32,594	18,939
Other liabilities	14	656,173	953,542
Total non-current liabilities		688,767	972,481
Total liabilities		4,188,219	8,451,306
Net assets		10,889,994	11,704,992
Equity			
Reserves	15	30,168	70,954
Retained profits		10,859,826	11,634,038
Total equity		10,889,994	11,704,992

The accompanying notes form part of these financial statements.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Financial Statements**

Statement of Changes in Equity

Thoroughbred Racing SA Limited. For the year ended 30 June 2012.

	Reserves	Retained Profits	Total
Balance as at 30 June 2010	91,906	12,400,744	12,492,650
Net Loss for the year	-	(766,706)	(766,706)
Other Comprehensive Income for the year	(20,952)	-	(20,952)
Balance as at 30 June 2011	70,954	11,634,038	11,704,992
Net Loss for the year	-	(774,212)	(774,212)
Other Comprehensive Income for the year	(40,786)	-	(40,786)
Balance as at 30 June 2012	30,168	10,859,826	10,889,994

The accompanying notes form part of these financial statements.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Financial Statements**

Statement of Cash Flows

Thoroughbred Racing SA Limited. For the year ended 30 June 2012.

	Note	30 June 2012 \$	30 June 2011 \$
Cash flows from operating activities			
Receipts in the course of operations		49,836,312	47,030,833
Payments in the course of operations		(50,811,811)	(50,863,265)
Interest received		485,892	538,682
Dividends received		29,983	31,043
Loan repayments from / (loans to) clubs		360,663	(209,030)
Net cash (used in) operating activities	16	(98,961)	(3,471,737)
Cash flows from investing activities			
Proceeds on disposal of investments		1,250	4,091
Payments for plant and equipment		(92,540)	(259,487)
Net cash (used in) investing activities		(91,290)	(255,396)
Cash flows from financing activities			
Payments for Gawler Redevelopment		-	(2,836,391)
Reimbursement for Gawler Redevelopment Costs		8,859,873	-
Proceeds from SAJC Loan		-	4,000,000
Repayment of SAJC Loan		(4,000,000)	-
Net cash provided by financing activities		4,859,873	1,163,609
Net increase / (decrease) in cash held		4,669,622	(2,563,524)
Cash and cash equivalents at the beginning of the financial year		2,182,115	4,745,639
Cash and cash equivalents at the end of the financial year	6	6,851,737	2,182,115

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

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

1. Summary of significant accounting policies

Basis of preparation

The Company has elected to early adopt the pronouncements of AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements to the annual reporting period beginning 1 July 2011.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001 (Cth).

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

consistently applied unless otherwise stated.

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

The financial report was authorised for issue by the Directors of the Company on 28 September 2012.

(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

1. Summary of significant accounting policies (continued)

basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts, if any, are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

(f) Plant and equipment

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

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

the asset is available for use.

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

- Plant and equipment 3-10 years
- Motor Vehicles 5-7 years
- Furniture and Fittings 3-10 years

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Statement of Comprehensive Income.

(g) Financial instruments

Initial recognition and measurement

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

Classification and subsequent measurement

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

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

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

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, or where they are derivatives 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

1. Summary of significant accounting policies (continued)

at fair value with changes in fair value (i.e. gains or losses) being recognised in the Statement of Comprehensive Income.

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

Impairment

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

comprehensive income is reclassified to profit or loss at this point.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability, which is extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the Statement of Comprehensive Income.

(b) Impairment of assets

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

1. Summary of significant accounting policies (continued)

if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

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

(i) Trade and other payables

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

(j) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected

timing of cash flows.

Contributions are made by the Company to an employee superannuation fund and are charged as expenses when incurred.

(k) Provisions

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

(l) Comparative figures

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

(m) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both 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.

Key estimates - Impairment: Carbon Price

There is presently uncertainty in relation to the impacts of the carbon pricing mechanism recently introduced by the Australian Government. This carbon pricing system could potentially affect the assumptions underlying value-in-use calculations used for asset impairment testing purposes. The Company has not incorporated the effect of any carbon price implementation in its impairment testing at 30 June 2012.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Notes to the Financial Statements**

	30 June 2012	30 June 2011
	\$	\$
2. Revenue		
TAB Product Fees and Betting Operations Contributions	40,955,766	39,757,910
Screening & International Rights	733,308	707,393
SABOIS subscriptions	396,650	432,160
Registration fees	233,436	224,695
Publications	276,331	290,602
Other	487,177	438,483
Total revenue	43,082,668	41,851,243

TAB product fees are recognised net of the SA Government tax commonly referred to as Clawback. The effect of this tax has been to reduce TRSA revenue by \$2,137,726 for the year ended 30 June 2012 (2011: \$2,104,280)

3. Other Income

SAJC Contribution to Industry Prizemoney	2,400,000	1,800,000
Government promotional grants	120,000	120,000
Total other income	2,520,000	1,920,000

4. Financing Income

Interest income	485,892	533,014
Dividend income	29,983	31,043
Total financial income	515,875	564,057

5. Net Surplus/(Loss) for the Year

(a) Prizemoney

Prizemoney, Unplaced Subsidies and Riding Fees	32,084,624	30,648,241
SABOIS Bonuses	2,112,150	1,873,125
Total Prizemoney	34,196,774	32,521,366

	30 June 2012	30 June 2011
	\$	\$
5. Net Surplus/(loss) for the Year (continued)		
(b) Industry Payments		
Training Grants and Raceday Usage payments	1,499,000	1,500,000
Race Day Payments & Costs	1,430,957	1,337,947
Club Promotion and Operational purposes	1,215,827	1,215,483
Club Capital Expenditure	417,279	818,634
Workcover & Insurance - Jockeys	964,785	919,801
Industry Staff Costs	545,249	478,987
Total Industry Payments	6,073,097	6,270,852
(c) Financial Expenses		
Interest expense	-	842
Total financial expenses	-	842
(d) Other Expenses		
Advertising & Marketing	268,509	401,102
Marketing Professional Fees	153,841	214,690
Publication Expenses	324,433	316,211
Swab & Veterinary Supplies	271,014	254,975
TAFE Relocation	-	525
Other	1,872,881	1,780,995
Total other expenses	2,890,678	2,968,498
(e) Auditor Remuneration		
Audit Services - William Buck		
Audit of the financial report	14,800	14,400

THOROUGHBRED RACING SOUTH AUSTRALIA: **Notes to the Financial Statements**

	30 June 2012	30 June 2011
	\$	\$
6. Cash and cash equivalents		
Cash at bank and on hand	40,725	72,072
Short-term bank deposits	6,811,012	2,110,043
	6,851,737	2,182,115
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	6,851,737	2,182,115
7. Trade and other receivables		
Current		
Trade receivables	2,425,506	2,983,289
Other receivables	2,853,610	2,336,258
Loans to Thoroughbred Racing Clubs - secured	627,859	10,148,395
	5,906,975	15,467,942
8. Other assets		
Current		
Prepayments	81,704	124,846
	81,704	124,846

	30 June 2012	30 June 2011
	\$	\$
9. Plant and equipment		
Plant and equipment - at cost	3,576,250	3,510,003
Less: accumulated depreciation	(2,401,274)	(2,151,806)
Total plant and equipment	1,174,976	1,358,197

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

Movements in carrying amounts

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

Carrying amount at the beginning of the year	1,358,197	1,357,597
Additions at cost	92,540	259,487
Disposals	-	-
Depreciation expense	(275,761)	(258,887)
Carrying amount at end of year	1,174,976	1,358,197

10. Financial assets - Investments

Non-current

- Investment in Racing Information Services Australia Pty Ltd ('RISA')	454,637	374,229
Available-for-sale financial assets		
Listed equity securities available for sale	608,184	648,970
	1,062,821	1,023,199

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments. No intention to dispose of any listed available-for-sale financial assets existed at 30 June 2012.

11. Trade and other payables

Current

Trade payables	629,793	629,793
Other payables and accruals	1,787,435	1,607,761
	2,223,680	2,237,554

THOROUGHBRED RACING SOUTH AUSTRALIA: **Notes to the Financial Statements**

	30 June 2012	30 June 2011
	\$	\$
12. Borrowings		
Current		
Interest Bearing Loan - SAJC	-	4,000,000
	-	4,000,000

13. Provisions

Current		
Employee benefits - annual leave	263,998	253,212
Employee benefits - long service leave	317,074	257,044
	581,072	510,256
Non-current		
Employee benefits - long service leave	32,594	18,939
	32,594	18,939
Total provisions	613,666	529,195
Opening balance at 1 July 2011	529,195	436,204
Additional provisions raised during the year	84,471	92,991
Amounts used	-	-
Balance at 30 June 2012	613,666	529,195

Provision for Long-term Employee Benefits

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

14. Other liabilities

Current		
Income received in advance	694,700	731,016
	694,700	731,016
Non-current		
Income received in advance	656,173	953,542
	656,173	953,542
Total other liabilities	1,350,873	1,684,558

	30 June 2012	30 June 2011
	\$	\$
15. Reserve		
Financial Asset Reserve		
The financial asset reserve includes the cumulative net change in the fair value of available for sale investments until the investment is derecognised.		
16. Cash flow information		
Reconciliation of net (loss) for the year to net cash provided by operating activities		
Net (loss) for the year	(774,212)	(766,706)
Add/(less) items classified as investing/financing:		
- (Profit)/loss on sale of investments	(1,250)	(4,091)
Add/(less) non-cash items:		
- Amounts set aside to provisions	84,471	92,991
- Depreciation expense	275,761	258,887
- Loan impairment	300,000	-
<hr/>		
Net cash from operating activities before change in assets and liabilities	(115,230)	(418,919)
Change in assets and liabilities during the period:		
- Decrease in trade receivables	557,784	676,227
- (Increase) in other receivables	(517,352)	(1,325,122)
- Decrease/(Increase) in loans to Thoroughbred Racing Clubs	360,662	(209,030)
- Decrease in other assets	43,142	45,800
- (Decrease) in trade payables	(193,548)	(268,318)
- Increase/(decrease) in other payables and accruals	179,674	(1,546,340)
- (Decrease) in income received in advance	(333,685)	(426,035)
<hr/>		
Net cash provided by operating activities	(18,553)	(3,471,737)

2012
2011
\$

17. Related party transactions (continued)

Amounts receivable from and payable to Directors and Director related entities at reporting date arising from the above transactions were as follows:

Current trade and other payables		\$
- Trade payables	12,386	710

South Australian Jockey Club Inc

The South Australian Jockey Club Inc (SAJC) is one of the two members of the Company and controls 50% of the voting power in general meeting and thereby has significant influence over the company. The following transactions occurred between the company and the SAJC during the year:

- The SAJC contributed \$2.4 million to the Company as a contribution to prize money, pursuant to an undertaking given by the SAJC to contribute portion of the income derived by the SAJC from the proceeds of the sale of Cheltenham racecourse. This amount has been recognised as Other Income in the Statement of Comprehensive Income.
- The contribution to prize money for the 2012 financial year was outstanding at balance date and is included in trade and other receivables in the Statement of Financial Position. This amount is non interest bearing.
- The Company made payments of \$1,160,609 (2011 \$1,271,861) direct to the SAJC during the year in line with the Industry's club funding models implemented by the Board for training grants and race day usage of the Morphettville courses, race day costs, promotional and operational purposes and capital expenditure. These payments are included in the expense item Industry Payments in Statement of Comprehensive Income.
- The Company entered into a loan agreement and borrowed \$4 million in the 2011 financial year from the SAJC to provide working capital. The agreement provided for the SAJC to earn interest at a rate higher than available commercially to it, and for the Company to borrow funds on more favourable terms. The loan was secured against the SAJC's commitment to make further payments to fund prize money. The loan was repaid in full during the course of the 2012 financial year.

South Australian Racing Clubs Council

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

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

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

- The Company made payments of \$ 1,895,097 (2011 \$2,394,154) direct to Clubs during the year in line with the Industry's club funding models implemented by the Board for training grants and race day usage of the various country race courses operated by member clubs of SARCC, race day costs, promotional and operational purposes and capital expenditure. These payments are included in the expense item Industry Payments in Statement of Comprehensive Income.
- The Company has entered into loan agreements with and made loans to Clubs to provide working capital and to facilitate capital projects, which amounted to \$627,859 at 30 June 2012 (2011 \$10,148,395). The agreements provided for the Company to earn interest at commercial rates. The loans are secured. Interest earned by the Company amounted to \$204,589 (2011 \$359,324) and is included in Financial Income in the Statement of Comprehensive Income.

		2012	2011
	Note	\$	\$

18. 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 30th June 2012 it is estimated that these future bonuses will be \$5.0 million.

19. Financial risk management

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

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

Financial assets			
Cash and cash equivalents	6	6,851,737	2,182,115
Receivables and loans	7	5,906,975	15,467,942
Investments	10	1,062,821	1,023,199
Total financial assets		13,821,533	18,673,256

Gains and losses recognised in other comprehensive income

Gains and losses recognised in other comprehensive income in respect of available-for-sale financial assets:

- Net fair value loss on remeasurement		(40,786)	(20,952)
Total losses recognised in other comprehensive income		(40,786)	(20,952)

Financial liabilities

Financial liabilities at amortised cost

- Trade and other payables	11	2,223,680	2,237,554
- Borrowings	12	-	4,000,000
Total financial liabilities		2,223,680	6,237,554

19. Financial risk management (continued)

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.

20. Events after the reporting period

The Directors are not aware of any significant events since the end of the reporting period.

21. Company details

The registered office and principal place of business of the Company is:

Thoroughbred Racing SA Limited
Morphettville Racecourse
MORPHETTVILLE SA 5043

22. Members' guarantee

The Company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$2.00 each towards meeting any outstandings and obligations of the Company. At 30 June 2012 the number of members was 2.

Directors' Declaration

DIRECTORS' DECLARATION

In the opinion of the directors of Thoroughbred Racing S.A. Limited (the "Company"):

1. The financial statements and notes, set out on pages 9 to 34, are in accordance with the Corporations Act 2001:
 - a. Complying with Accounting Standards; and
 - b. Giving a true and fair view of the financial position of the Company as at 30 June 2011 and of the performance for the year ended on that date of the Company.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



F Nelson QC
Director

Dated at Adelaide this 30th day of September 2011.

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THOROUGHBRED RACING SA LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Thoroughbred Racing SA Limited, which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Thoroughbred Racing SA Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THOROUGHBRED RACING SA LIMITED**

Auditor's Opinion

In our opinion the financial report of Thoroughbred Racing SA Limited is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

William Buck

William Buck
ABN: 38 280 203 274

G.W. Martinella

G.W. Martinella
Partner

Dated this 28th day of September, 2012.

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