



THOROUGHBRED RACING SOUTH AUSTRALIA

ANNUAL REPORT 2010



Capecover - Winner of the 2010 Adelaide Casino Adelaide Cup

THOROUGHBRED RACING SOUTH AUSTRALIA

ANNUAL REPORT

2010

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Chairman's Report



Philip Bentley Chairman

It is a pleasure to report that the year ended 2009-10 was another successful one for Thoroughbred Racing SA Ltd.

The Company achieved a profit for the year of \$279k. Whilst this is a substantial decrease from the profit of \$6.764 million in 2009, it was the result of the Board's strategy to increase prizemoney and club funding.

- 2010 saw a further increase in prizemoney of 16.25% across the board; and
- Increased direct payments to and on behalf of Clubs, which rose by 59% for the year.

The year was adversely affected by continuing uncertainty and litigation between Principal Racing Authorities and corporate bookmakers. As a result, the Company incurred further legal expenses protecting the industry's revenue from Betting Operations Contributions (BOC). The year's result was also affected by the imposition of additional racefields' levies by Racing

Victoria Limited of \$1.865 million, which was backdated following a further change of legislation in that State.

This is my third and final Chairman's Report to shareholders and is therefore an opportune time to reflect upon the changes that have occurred in South Australian thoroughbred racing in the past three years.

Seven people came together to form a new TRSA Board towards the end of 2007. The members of the new board were appointed for their individual skills and experience. The Directors appointed me as their Chairman each year.

At the outset the Board sought to establish the Company on a commercial footing mindful of its need to lead and guide the thoroughbred racing industry in South Australia. The Board comprised individuals with particular marketing, financial and legal skills as well as invaluable experience in thoroughbred racing. The Board embraced the objectives set out in the Company's Constitution, recognising that it is charged with managing the business of racing, for the benefit of all of the Industry's stakeholders and so as to secure the viability of thoroughbred racing in South Australia into the future.

The Board recognised at the outset that it would be necessary to take hard decisions for the benefit of the stakeholder group as a whole, which might not appeal to particular interested parties. The initiatives that the Board

has taken have not been without difficulty and at times controversy. Clearly, the most significant initiative involved the review of corporate governance at the South Australian Jockey Club. Other significant decisions have involved:

- Negotiations regarding telecasting rights;
- Litigation in respect of Betting Operations Contributions;
- Increased prizemoney;
- Improved Workcover and riding fees for Jockeys;
- Negotiations and assistance provided in connection with the redevelopment of the Gawler Racecourse;
- Negotiations and assistance provided in connection with the proposed Murray Bridge Racecourse;
- The continued programming of racing following the loss of Cheltenham and Victoria Park and during the construction of the Morphettville Parks and redeveloped Gawler courses;
- Initiatives to revitalise racing on the Eyre Peninsula, which entailed the elevation of Port Lincoln to Provincial status;
- Initiatives to secure the viability of racing in the State's south-east, which competes closely with Western Victoria and the associated elevation of Mouth Gambier to Provincial status;

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Velocitea - Winner of the 2010 Distinctive Homes Goodwood

- Revisions to the funding of individual race clubs in order to secure their financial viability;
- The commitment to continue jumps racing in South Australia.

The Board developed a Strategic Plan, which resulted in a period of substantial reform. As part of its planning process the Board reviewed the level of reserves required in the Industry and as a result was able to revitalise prizemoney and significantly increase funding of individual race clubs. At the same time, it identified a need for a higher level of commercial skills within the management structure, which resulted in the appointment of Jim Watters, a most capable Chief Executive Officer, and Nick Redin, a very committed Chief Operating Officer, with significant financial acumen.

Prizemoney

In 2006-07, the year prior to the new Board being formed, total prizemoney in South Australia was \$22.79 million and the Industry had been relatively stagnant, if not in decline, for some years.

In the financial year just completed total prizemoney outlaid was \$28.97M, an increase of 27%.

In the year underway, the budget provides for prizemoney of \$33.12M, as all of the previously announced prizemoney increases come into full operation.

This will mean that the reforms implemented have resulted in an increase of 45% over a four year period.

Diversification of Revenue Base

Also in 2006-07, Thoroughbred Racing SA received 92.7% of its revenue from the TAB distribution, a situation which made the Industry particularly vulnerable.

In the 2009-10 season, this ratio of the total revenue was 71.3%.

This enhanced diversification was brought about by three major changes:

- Firstly the Board ensured that the necessary Industry governance protocols were put in place to enable the Industry to receive the revenue benefits from the State Government's promise to phase out the betting turnover tax. This phasing out process commenced 1 July 2008 and is still proceeding. It will continue for two more years, and once it is fully phased in it will amount to approximately \$5.8M per season. In the year just completed the betting tax relief was \$3.73M.
- Secondly, the Board convinced both the State Government and Opposition to pass legislation to enable us to apply betting fees on all wagering operators within Australia who take bets on South Australian races, referred to as Betting Operations Contributions (BOC). This action was necessary following on from NSW unilaterally bringing to an end the old "gentleman's agreement", wherein each pari-mutuel provider could previously bet on each other State's product for free. Unfortunately with the growth of corporate bookmakers, and no system in place to charge them, the

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revenues from the pari-mutuels were suffering. The BOC commenced on 1 September 2008 and in a typical year it should provide the Industry with a net return of \$5.6M.

- Thirdly, the Board negotiated a new contract with Sky Racing for our racing vision rights. This contract has been agreed in principle and the payment of an enhanced sum of money (over that provided through the old contract) has been received.

Race Meetings and Race Programming

The Board has been conscious of the need to compete with the other two racing Codes and to do so we must maximise betting turnover on our own races through offering each-way betting.

Several Programming and Classification changes have occurred and no doubt will continue to occur. In addition we have been slowly increasing the number of race meetings and this year there will be an expanded programme of TAB race meetings.

Thoroughbred Racing SA has reached agreement with Sky Racing to screen 182 South Australian TAB meetings. Two of the three Kangaroo Island race meetings this season will be TAB meetings for the first time. The programme this season compares with 166 race meetings programmed in 2006 - 07.

Jockeys and Apprentices

During the last three years, jockeys have benefited from an increase in their unplaced riding fee from \$108 in 2006 - 2007 to \$165 (including a \$10 Career

Benefit Fund payment) this year, an increase of 52.7%.

These increases, along with their percentage share of the higher prizemoney for placed rides, provide a sound environment for a healthy number of jockeys for our Industry. In addition to this, the provision of WorkCover coverage for all of our jockeys provides a far more adequate safety net for those unfortunate to be injured.

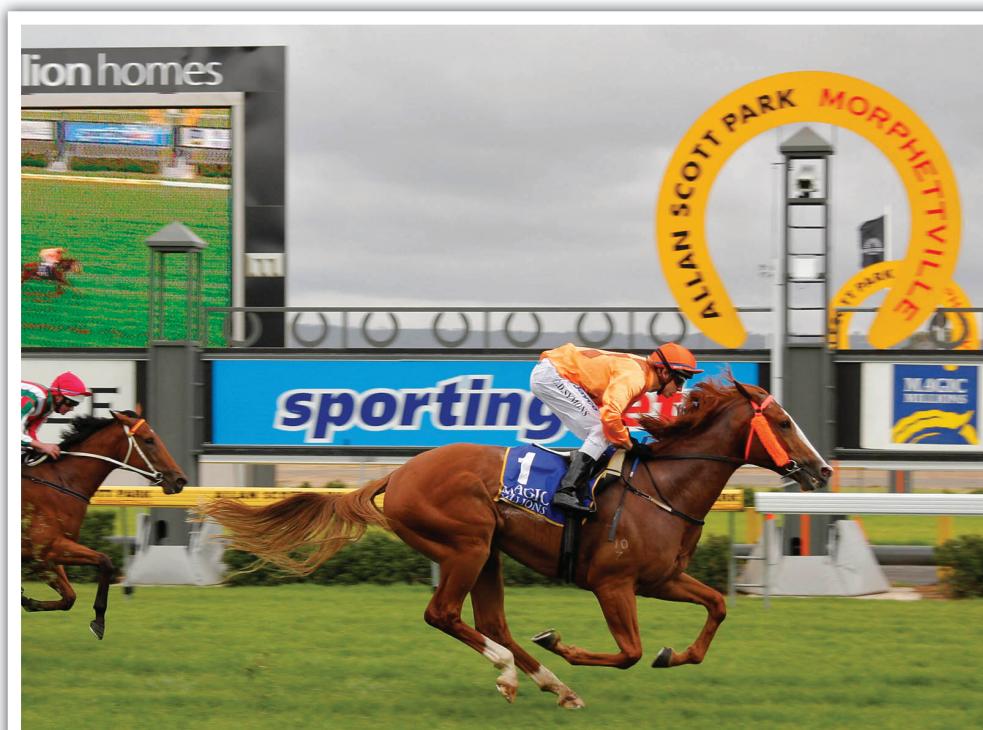
Apprentices continue to be trained well and their facilities were enhanced when Thoroughbred Racing SA relocated the Apprentice Academy away from Cheltenham and built a new facility at Morphettville at a cost of \$1.4m. This is recognised as one of the best thoroughbred apprentice academies in Australia.

Gawler and Barossa Jockey Club Racecourse

In conjunction with Thoroughbred Racing SA assistance, the Gawler & Barossa Jockey Club has successfully developed a new racetrack and training track, along with stewards' and jockeys' room.

A new community function centre has been built opposite the winning post, which will host patrons on race days and earn the Club income on non-race days.

The first race meeting on the new track was conducted in July and the jockeys have been impressed by the cambered turns and the longer straight. It is anticipated that the new course will result in improved wagering returns to the Industry.



Toorak Toff - Winner of the 2010 Sportingbet Magic Millions Adelaide 2YO Classic

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Capecover – Winner of the 2010 Adelaide Casino Adelaide Cup

The funding for this was assisted by a \$6 million grant from the State Government which I was pleased to negotiate on behalf of the Industry. The total capital expense of the redevelopment was over \$13 million and Thoroughbred Racing SA lent the Club \$7.8 million to complete the project. This amount, plus interest, will be repaid as soon as the Club's surplus land is able to be sold.

It is anticipated that the Club will have a significant sum to invest when the legal challenge instigated by the Gawler City Council is dealt with.

Murray Bridge Racing Club

The Murray Bridge Racing Club had the foresight to seize upon an opportunity to acquire an option to buy three parcels of farmland.

Thoroughbred Racing SA provided the Club with financial support and commercial assistance to enable it to exercise its option. The Club was thereby able to conclude the purchase of 810 hectares of farm land, on which a new racecourse and training facility will be built. These facilities will be owned unencumbered by the Club and the Club will also have ownership of 20 hectares alongside the new racecourse which will be either sold or leased to trainers.

A joint venture has been formed between Burke Urban, the Murray Bridge Racing Club and the Industry, through Thoroughbred Racing SA, to undertake a residential development on the balance of the property, which will be an exciting new expansion for Murray Bridge and its environs. The Minister for Planning has granted a Development Planning Approval which will enable up to 3,500 houses and other commercial developments to be built on the land.

Thoroughbred Racing SA was able to assist the Club in achieving these outcomes in the following four ways:

- The Murray Bridge Racing Club did not have the financial capacity to settle the contract at the relevant time and Thoroughbred Racing SA assisted the Club by arranging and guaranteeing a bank loan of \$5 million.

- Thoroughbred Racing SA provided the commercial expertise, of both its management and members of its Board to negotiate the joint venture agreement, on behalf of Thoroughbred Racing SA, representing the Industry, and the Club, in conjunction with Minter Ellison.
- Thoroughbred Racing SA funded the interest payments on the bank loan until the joint venture agreement was entered into and funding from the joint venture partner enabled the loan to be repaid.
- Thoroughbred Racing SA funded all costs incurred during the interim period between the purchase of the new site and securing the agreement with, and the reimbursement of those costs by the joint venture partner, which along with the aforesaid interest payments, amounted to in excess of \$1 million. This amount was provided by Thoroughbred Racing SA to the Club interest free, and subsequently repaid.

Recognising that the financial assistance that was provided to the Club was, in fact, monies of the South Australia thoroughbred racing industry, and that the commercial risk that was assumed by Thoroughbred Racing SA was, in fact, risk assumed by the Industry as a whole, the Company took the decision that it was only reasonable that the Industry be compensated for its initiatives and risk. Accordingly, Thoroughbred Racing SA secured an agreement with the Murray Bridge Racing Club to assign 20% of its equity in the joint venture to Thoroughbred Racing SA. As a result the joint venture comprises 50% Burke

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Urban, 40% Murray Bridge Racing Club and 10% Thoroughbred Racing SA.

This interest in the joint venture may, at some time in the future, result in the industry receiving a 10% share of the residual profit from the real estate development. This future revenue stream, which will not be realised for many years, will be an important source of revenue for the South Australian racing industry and will further help diversify the revenue base of the Industry. Properly managed, the Murray Bridge Racing Club seems destined to become a wealthy club.

Strathalbyn and Mount Gambier Racing Clubs

When this Board was appointed three years ago, the Strathalbyn and Mount Gambier Racing Clubs, were surviving with the assistance and cash flows from Thoroughbred Racing SA. In both cases Thoroughbred Racing SA was the major creditor to each club and no security was in place for the benefit of the Industry as a whole. It is pleasing to note that in the case of the Strathalbyn Racing Club, the entire unsecured loan has been repaid, achieved to a large extent through the hard work and voluntary efforts of two Club Committee people, in particular.

In the case of the Mount Gambier Racing Club, the repayment to the Industry has commenced with the sale of one Club property and a Development Plan Amendment has now been obtained for some remaining surplus land that will facilitate repayment of a large part of the debt.



Kerrin McEvoy aboard Kidnapped, winner of the 2010 Betfair.com SA Derby, returning to scale.

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These commercial arrangements help to protect scarce Industry funds, and were achieved with no resistance but positive cooperation from these two Clubs.

However, it is disappointing that there are some Clubs who still have a mendicant attitude to Thoroughbred Racing SA, failing to recognise that this Company represents the interests of all of the industry's stakeholders. More effort is needed to instil a commercial approach to issues involving Clubs and the Industry.

Port Augusta Racing Club

With encouragement and assistance from Thoroughbred Racing SA, the Port Augusta Racing Club is in the process of obtaining a Development Plan Amendment to rezone 80 hectares of land the Club owns adjacent to the racecourse. There is also a proposal to install a waste water facility next to the course. Thoroughbred Racing SA arranged a meeting between Council, the Club and Thoroughbred Racing SA's CEO and myself, which led to Council including the required rezoning in its District Plan. If the Development Plan Amendment is approved, it is possible to envisage that it will be feasible to install a grass track, better shaped than the current oil dependent dirt track. Such a vision will offer a better alternative than at present and enable Port Lincoln based horses and others to locate there in the late autumn to early spring period when Eyre Peninsula racing does not operate.

Club Funding

The funding of race clubs is always a matter of contention and there is



Small Minds - Winner of the 2010 Schweppes Oaks

always a tendency on the part of clubs to claim that they are not adequately funded by the governing body. After all, if a club is successful in obtaining sufficient funding from Thoroughbred Racing SA, then it avoids having to make the hard decisions and to behave on a commercial basis at club level. During the last three years a number of changes have been made to club funding in South Australia, in order to assist them in becoming more financially viable. In 2006-07 clubs received from Thoroughbred Racing SA \$3.993M in funding (including International Sky revenues and funds for the Be Active programme which were redirected from Thoroughbred Racing SA). In 2009-10 the funding support from Thoroughbred Racing SA had grown to \$4.995M, an increase of 25.1%, with TRSA

retaining the two sources of funds it had previously redirected. In the 2010-11 budget, as the funding reform roll out is completed, the funding support will be \$5.425M. This will represent an increase in support for clubs of 38.4% in a four year period.

Marketing and Branding

The new marketing and branding of South Australian racing commenced in 2008-09 and has continued apace. The Company's revamped web site is the envy of other State bodies and is frequently accessed. A close relationship on marketing matters has been developed with the South Australian Jockey Club and for the first time there is consistent messaging between the State's principal Club and Thoroughbred Racing SA. Most of the Country and

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Provincial clubs have worked in close harmony with the Thoroughbred Racing SA marketing department. However more needs to be done as there still some clubs who seem to believe that they do not need any assistance and/or appear reluctant to become part of the Industry's umbrella branding and marketing.

Jumps Racing

Thoroughbred Racing SA has stood firm in its support for jumps racing. Despite a request from our Minister for Racing to follow the lead of Racing Victoria Ltd who under pressure from the Victorian Racing Minister in 2009 suspended jumps racing for a period, we refused to abandon the local jumping fraternity. While there have been calls by some minority interest groups demanding we stop jumps racing, we have continued jumps racing in South Australia, in a professional manner as the local racing Industry would expect. We have established an effective Jumps Review Panel to assess all jumping events, and to provide appropriate recommendations to improve the safety of participants, rather than respond to the sensationalist claims of a minority.

I am pleased that the commitment of my Board to this aspect of the sport of thoroughbred racing has secured the continuation, for the time being at least, of the iconic Oakbank carnival.

Government

I will take this opportunity to acknowledge the support that the Industry has received from the State Government as well as the State Opposition. The Government, the

Premier and Racing Minister Wright have recognised the significant contribution that this Industry makes to both the economy and the culture of the State. The Industry has also received strong support on particular issues from Deputy Premier Foley and Ministers Conlon and Holloway.

The Industry is indebted to them for:

- The gradual phasing out of the tax on betting turnover and redirecting the foregone taxation to the three racing Codes in return for implementing Industry governance reforms.
- The \$6 million grant to Thoroughbred Racing SA towards the redevelopment for the Gawler racetrack and associated facilities.
- The \$5 million grant to the SAJC for the construction of Morphettville Parks.
- The swift and effective amendments to legislation to introduce Betting Operations Contribution.
- The preparedness of the Government planning agency to consider well reasoned arguments to issue Development Plan Amendments for land owned by Murray Bridge, Gawler and Port Augusta Racing Clubs.
- The ongoing support of the Industry by the Governor, government ministers and members as well as members of the Opposition. Industry participants appreciate the time and commitment that each makes in supporting our premier race days, which continues to be important to the ongoing success of thoroughbred racing in the State.



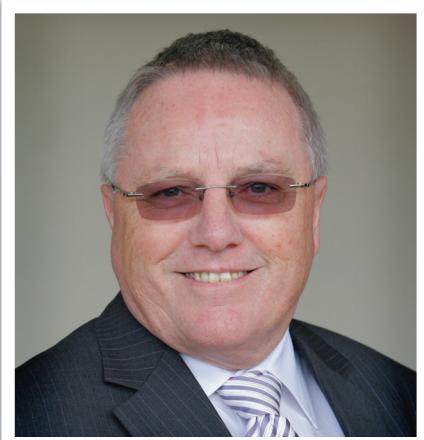
Al Garhood - Winner of the 2010 Scott Group of Companies Von Doussa Steeplechase

Finally I would like to take this opportunity to thank the Directors of Thoroughbred Racing SA that I have worked with over the past three years. I would particularly like to thank the hard working and diligent Thoroughbred Racing SA management and staff for their cooperation and their dedication. On behalf of the other outgoing Directors, Greg Boulton and Andrew Killey I welcome the three newly appointed Directors and I look forward to observing the added value they bring and seeing the Industry continuing to build in a positive fashion over each of the next three years.

A handwritten signature in black ink, appearing to read "Philip Bentley".

Philip Bentley
Chairman

Chief Executive Officer's Report



Jim Watters Chief Executive

Key Financial Results

Following last year's outstanding result, which saw Thoroughbred Racing SA post a substantial surplus of \$6,764,118 for the year ended 30 June 2009, which in turn had followed on from four years of significant losses, it was pleasing to provide "back to back" surpluses in 2010. While the \$278,976 surplus for the year ended 30 June 2010 was vastly different to the 2009 result, it was nonetheless a surplus and was posted despite the two major expenditure items, Prizemoney and Industry Payments, increasing by a combined \$6,186,529.

Total revenue at \$40.834m was down \$329,276 (-0.8%) and was adversely affected by a one-off payment required to be made to Racing Victoria Limited. Following a successful challenge to the Victorian Racefields Legislation, the Victorian State Government amended its legislation to rectify the issue and in doing so also back-dated the implementation of the legislation to 4 September 2008 instead of the previous 1 March 2009 date. UNiTAB had made all payments due under the previous legislation, and had recovered thoroughbred's share

from Thoroughbred Racing SA as they are entitled to do under the Racing Distribution Agreement. However this change to the Victorian legislation, required a further and unbudgeted payment of \$1.865m.

As reported in the 2009 Annual Report, the Board had previously resolved to retain a major portion of the additional revenue achieved in the 30 June 2009 year to adopt a more structured approach in the implementation of prizemoney increases. Utilising a large portion of the 2009 retained revenue, the Board brought forward the proposed 2012/13 prizemoney increases, which became effective from February 2010. Prizemoney provided in the year ending 30 June 2010 increased by \$4.05m (+16.26%), totalling \$28.972m for the year under review.

Over the past 12 months the Board has also taken the opportunity to implement a new club funding model, to address club funding issues and the financial viability of South Australian racing clubs generally. Industry Payments increased by \$2.135m (+58.13%) to \$5.807m. Thoroughbred Racing SA now takes responsibility for the bulk of the Club race day operational costs, including vision, ambulance and a number of raceday staff, continuing the Board's strategy of allowing Clubs to focus more on the race day "event" itself.

Direct payments to Clubs, included under Industry Payments, such as Training Subsidies & Trial Payments, Club Promotion & Operational Purposes and Club Capital Expenditure (Grants), were increased by \$893,000 (+34.41%), with total payments of \$3.487m.

While the net revenue now received from Betting Operations Contributions (BOC) is a significant source of income

for Thoroughbred Racing SA, the most important source of revenue for the South Australian racing industry remains the SA TAB through the TAB Product Fees it pays. This comprised 71.3% of the 2009/10 year revenue. Local racing supporters and participants should recognise the importance of the SA TAB to the local racing industry and ensure they support them accordingly. The income to the South Australian thoroughbred racing industry from each \$100 wager on a South Australian race is approximately \$4.30 compared to 70 cents if placed with a corporate bookmaker or another State's TAB.

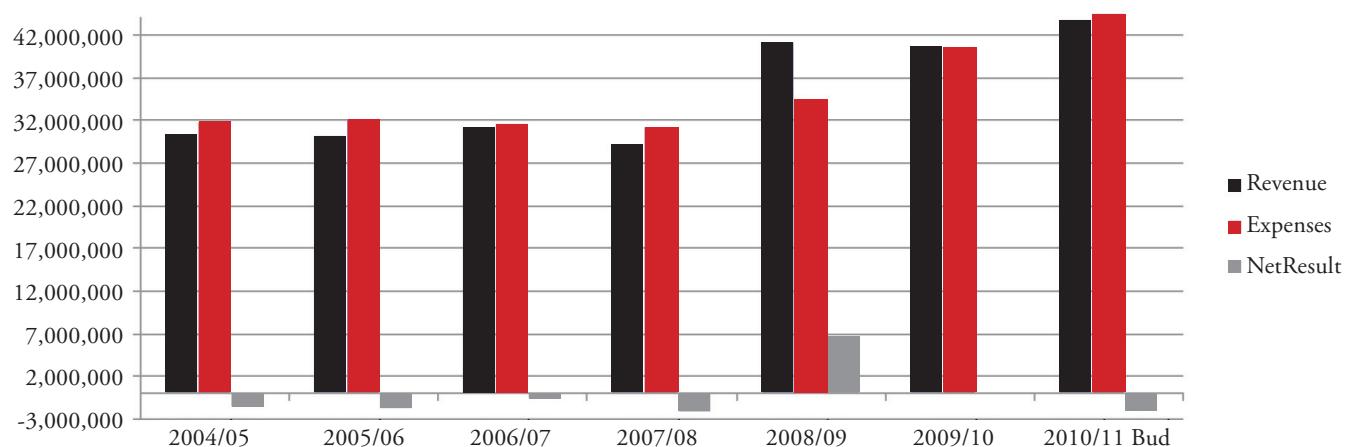
The comparative income for net BOC in the 2009/10 and 2008/09 years is of course distorted by the one off payment to Racing Victoria Limited this year, for the new backdated period of 4 September 2008 to 1 March 2009. A true comparison after adjusting for that payment sees net BOC income being 15% of Thoroughbred Racing SA's revenue and reflecting a 19% growth year on year.

It must be stressed when considering Thoroughbred Racing SA's revenue streams, that while the SA TAB is our greatest funding provider, wagering on South Australian races only accounts for some 15% of our income from the SA TAB. Total income from all wagering operators betting on South Australian racing equates to approximately 35.8% of our revenue.

THOROUGHBRED RACING SOUTH AUSTRALIA: Chief Executive Officer's Report

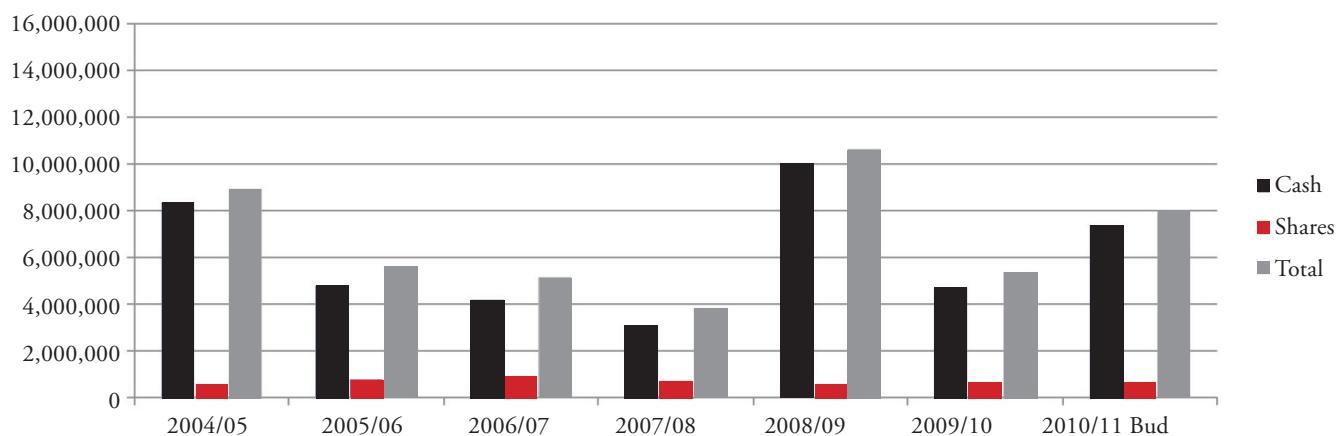
Overall Company Profitability and Reserves

The chart below shows the Company's operating results for the last six financial years.



| | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 Bud |
|------------|-------------|-------------|------------|-------------|------------|------------|-------------|
| Revenue | 30,277,528 | 30,230,870 | 31,187,859 | 29,116,726 | 41,163,197 | 40,833,921 | 43,706,524 |
| Expenses | 31,892,872 | 32,047,203 | 31,738,141 | 31,255,121 | 34,399,079 | 40,554,945 | 45,602,028 |
| Net Result | (1,655,344) | (1,816,333) | (550,282) | (2,138,395) | 6,764,118 | 278,976 | (1,895,504) |

The chart below shows the Company's cash reserves and value of share holdings as at 30th June 2010.



| | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 Bud |
|------------|-------------|-------------|------------|-------------|------------|------------|-------------|
| Revenue | 30,277,528 | 30,230,870 | 31,187,859 | 29,116,726 | 41,163,197 | 40,833,921 | 43,706,524 |
| Expenses | 31,892,872 | 32,047,203 | 31,738,141 | 31,255,121 | 34,399,079 | 40,554,945 | 45,602,028 |
| Net Result | (1,655,344) | (1,816,333) | (550,282) | (2,138,395) | 6,764,118 | 278,976 | (1,895,504) |

THOROUGHBRED RACING SOUTH AUSTRALIA: Chief Executive Officer's Report

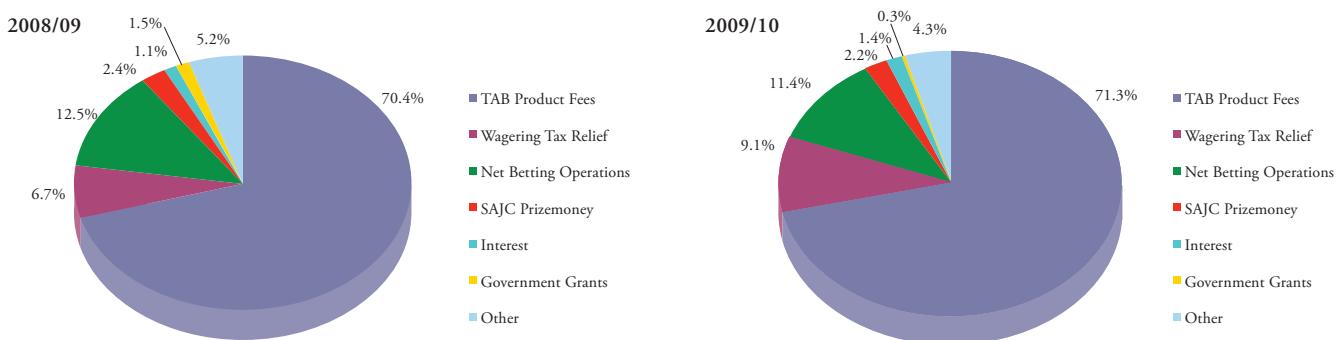
The data for 2007/08 and 2008/09 does not include State Government Grant Funds received for the Gawler redevelopment, the balance of which at reporting date was \$6.0m and \$5.25m for the two years respectively, this amount was nil at 30th June 2010.

The change in cash in 2009/10 is due to the increase in monies loaned to clubs that are not treated as "cash" for the above purposes.

The improvement in the position in 2010/11 is due to the majority of these loans being repaid in full during the 2010/11 financial year.

Revenue

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



| | 2008/09 | | 2009/10 | | Change |
|------------------------|-------------------|---------------|-------------------|---------------|------------------|
| TAB Product Fees | 28,997,977 | 70.4% | 29,116,335 | 71.3% | 118,358 |
| Wagering Tax Relief | 2,764,415 | 6.7% | 3,730,086 | 9.1% | 965,671 |
| Net Betting Operations | 5,142,347 | 12.5% | 4,638,319 | 11.4% | (504,028) |
| SAJC Prizemoney | 1,000,000 | 2.4% | 900,000 | 2.2% | (100,000) |
| Interest | 468,916 | 1.1% | 554,741 | 1.4% | 85,825 |
| Government Grants | 633,000 | 1.5% | 120,000 | 0.3% | (513,000) |
| Other | 2,156,542 | 5.2% | 1,774,440 | 4.3% | (382,102) |
| TOTAL | 41,163,197 | 100.0% | 40,833,921 | 100.0% | (329,276) |
| | | | | | -0.8% |

2009/10 Net Betting Operation Contributions (BOC) is after deductions of \$8.6m (2008/09 \$3.5m) relating to charges incurred by the SA TAB from other States racefiles' legislation, the equivalent of SA's Betting Operation Contributions, under the Racing Distribution Agreement, they are entitled to recover from the Codes. The 2009/10 deduction of \$8.6m includes charges of \$1.865m incurred as a result of changes to the Victorian legislation that allowed RVL to backdate the start date to 4th September 2008, rather than the previous start date, 1st March 2009.

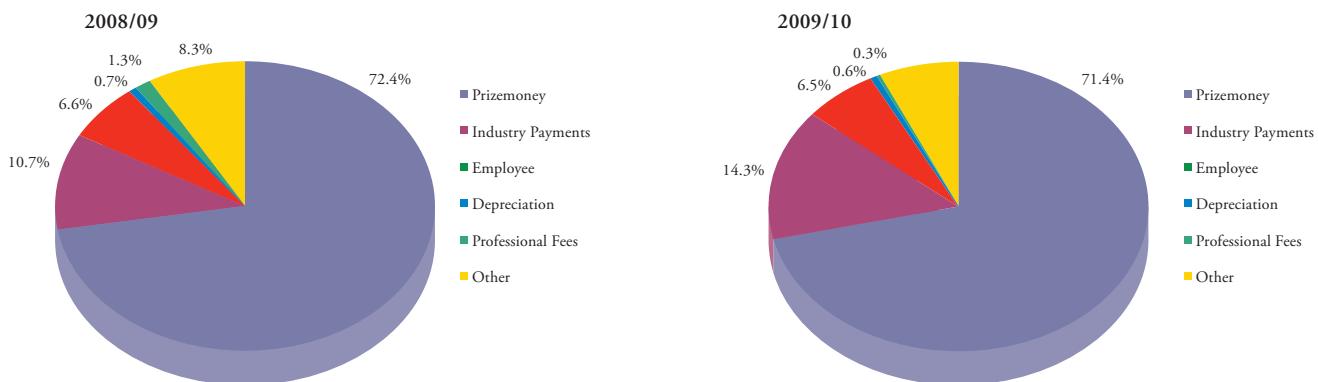
Government Grants are down due to the removal of funding in the amount of \$513k from the State Government that was provided for a three year term to promote the change of date for the Adelaide Cup.

Other Revenue includes Screening and International Rights, SABOIS registration fees, Industry participants' registration fees, Calendar advertising and subscription together with other sundry revenue items.

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Expenses

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



| | 2008/09 | 2009/10 | Change |
|-------------------|-------------------|-------------------|--------------|
| Prizemoney | 24,921,387 | 28,972,853 | 16.3% |
| Industry Payments | 3,672,893 | 5,807,956 | 58.1% |
| Employee | 2,266,022 | 2,626,338 | 15.9% |
| Depreciation | 240,315 | 226,079 | -5.9% |
| Professional Fees | 451,827 | 116,046 | -74.3% |
| Other | 2,846,635 | 2,805,673 | -1.4% |
| TOTAL | 34,399,079 | 40,554,945 | 17.9% |

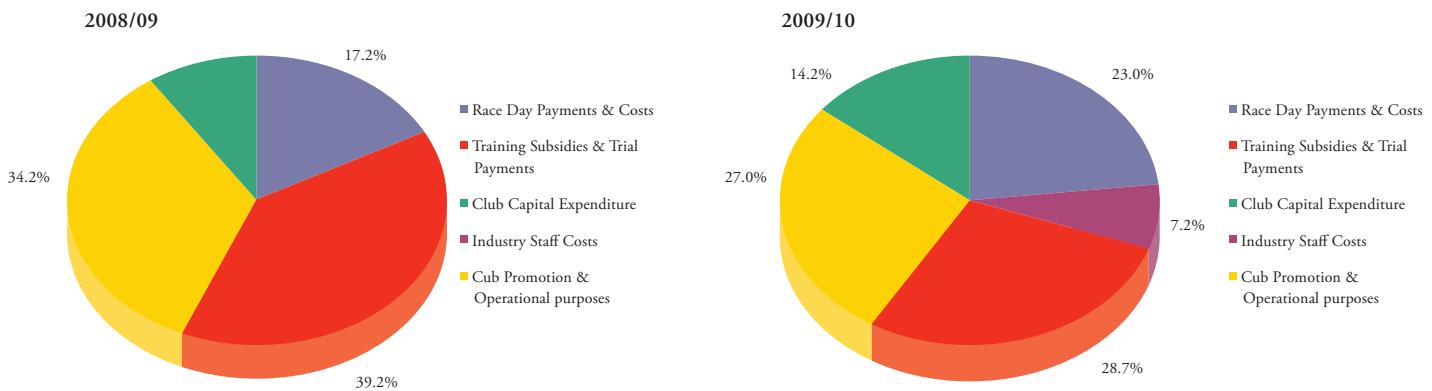
Industry Payments include Training Subsidies and Trial payments \$1.43m, Marketing Grants \$0.98m, Jockeys' WorkCover and Insurance \$0.81m, Raceday Payments and Costs \$1.15m, Club Capital Grants \$0.71m.

Employee Expenses are higher due to the raceday staff now being employed by Thoroughbred Racing SA rather than the Clubs and the wages across the organisation being increased to reflect comparative interstate wages.

THOROUGHBRED RACING SOUTH AUSTRALIA: Chief Executive Officer's Report

Industry Payments

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



| | 2008/09 | | 2009/10 | | Change |
|---------------------------------------|------------------|-------|------------------|-------|------------------|
| Race Day Payments & Costs | 540,000 | 8.6% | 1,147,152 | 11.5% | 112.4% |
| Industry Staff Costs | - | 0.0% | 359,739 | 3.6% | 359,739 |
| Training Subsidies & Trial Payments | 1,228,942 | 19.6% | 1,434,000 | 14.4% | 205,058 |
| Club Promotion & Operational purposes | 1,072,806 | 17.1% | 1,346,732 | 13.5% | 273,926 |
| Club Capital Expenditure | 293,047 | 4.7% | 707,066 | 7.1% | 414,019 |
| TOTAL | 3,134,795 | | 4,994,690 | | 1,859,895 |
| | | | | | 59.3% |

THOROUGHBRED RACING SOUTH AUSTRALIA: **Chief Executive Officer's Report**

Club Capital Grants

| Club | Project | \$Amount |
|-----------------|---|-------------------|
| Balaklava | Perry Trade Services - Electrical Works Infield | 4,380.00 |
| Balaklava | Bore Holes X 9 - Balaklava Racing Club | 1,500.00 |
| Balaklava | Consultancy Services track report | 8,600.00 |
| Balaklava | Add A Starters Catwalk to The Starters Gates | 1,440.30 |
| Balaklava | Jockey Rooms upgrade | 30,000.00 |
| Bordertown | Capital Grants Funding - Renovation Of Jockeys Rm/Secretary'S Office | 20,000.00 |
| Bordertown | Assist With Re-Establishment Of The Victoria Park Betting Ring At Bordertown | 22,500.00 |
| Ceduna | Paving, PA System And Airconditioner | 13,205.46 |
| Clare | Verandah Extension Dunstan Pavillion | 8,000.00 |
| Clare | Replace Bore | 11,735.82 |
| Hawker | Upgrade Female Jockeys Room, Upgrade Shelving In Bar - Indoor, Painting Of Ext Woodwork | 5,000.00 |
| Jamestown | Extend Bookmakers Covered Area | 5,000.00 |
| Kangaroo Island | Reimb For Repairs To Ladies Toilets | 5,000.31 |
| Kimba | Capital Funding 2009/10 | 5,000.00 |
| Lock | Capital Funding 2009/11 | 5,000.00 |
| Millicent | Minor Capital Grant Funding For 2009/10 | 5,000.00 |
| Mindarie | Track Irrigation Upgrade | 2,671.05 |
| Mt Gambier | River Sand For Steeple Track | 40,905.00 |
| Mt Gambier | Prof Services Re Track Review | 8,146.00 |
| Murray Bridge | Small Business Server | 4,845.45 |
| Naracoorte | Capital Grant Funding For 2009/10 | 5,000.00 |
| Oakbank | Capital Grant For Relocation Of Judges Box And Roofing/Ceiling Of Corporate Boxes | 100,000.00 |
| Penola | Capital Grant - Irrigation System | 5,000.00 |
| Penong | Capital Grant For 2009/10 - Penong Racing Club | 3,970.35 |
| Penong | Capital Grant Funding For 2009/10 - Penong - | 1,029.65 |
| Pt Augusta | Painting Grandstand - Pt Augusta | 21,862.00 |
| Pt Augusta | Minor Capital Works - Veolia, Mini Pave And Crombies Invoices | 5,000.00 |
| Pt Lincoln | Capital Grant For Upgrade Of Female Jockey Room | 40,000.00 |
| Quorn | Erect New Fence, Partition And New Door Frame | 5,000.00 |
| Roxby Downs | Pavers At Members Bar And Secretary's Hut Extension | 5,000.00 |
| SAJC | 2009-10 capital projects | 250,000.00 |
| Strathalbyn | New Computers | 5,000.00 |
| Strathalbyn | Starters Catwalk | 1,541.50 |
| Strathalbyn | Irrigation Review | 2,990.00 |
| Strathalbyn | Review Strathalbyn drainage and camber issues at track | 5,525.00 |
| Streaky Bay | Shed | 5,000.00 |
| Streaky Bay | Jockeys Room & Toilet Upgrade | 37,218.50 |
| TOTAL | | 707,066.39 |

Legal Challenge

In March 2010, Sportsbet commenced proceedings in the Supreme Court against the State of South Australia and the three racing Codes (Thoroughbred Racing SA, Harness Racing SA and Greyhound Racing SA), challenging the validity of Sections 62E to 62G of the Authorised Betting Operations Act 2000 (SA). In essence this challenge was over the constitutionality of the legislation which provided the Codes with the ability to charge BOC on all wagering operators who take bets on South Australian races. Sportsbet had issued similar proceedings in other States against their Racefields legislation. The State Government remains extremely confident as to the legality of its legislation. Racing SA (comprising the three Codes) and Thoroughbred Racing SA have been undertaking "Without Prejudice" negotiations as to a possible out of court settlement and these negotiations have been progressing very positively, similar to agreement already reached between Racing Victoria Limited and Sportsbet on similar matters.

Racecourse Development

The redevelopment of the Gawler Racecourse was completed in the 2009/10 season with the South Australian Premier, Mike Rann, opening the new track and function centre at the Club's first race meeting back at Gawler after a fifteen month closure, on Wednesday, 14 July 2010. It was fitting that the Premier opened the

redeveloped track and facilities as the State Government had provided \$6m towards the \$13.8m development cost. The balance of the project cost will be paid for from the proceeds of the Gawler and Barossa Jockey Club's sale of its surplus land adjoining the course. In February 2010, the Minister for Urban Development and Planning finally approved the Development Plan Amendment which rezoned the land, and once sold the proceeds will not only clear the Club's debt in terms of the \$7.8m balance of the redevelopment cost, but will secure the Club's future as an important community facility in the wider Gawler region.

The Gawler Racecourse redevelopment has seen a complete realignment, regrading and resurfacing of the track, which now has excellent cambers into and out of the straights. The home straight has been lengthened to 320 metres, a far cry from the previous 200 metre straight, and a new grass training track, sand track and warm-up track have been installed. Rather than build an old "traditional grandstand" structure, a multipurpose function centre was built, which better suits the requirements of today's racegoers, while also serving as an important community facility on non race day, and an important revenue source for the Club.

The next major racecourse development in South Australia will be the construction of a new racecourse and equine centre at Murray Bridge. This exciting project will see a complete new racetrack, training centre and Club

and community facilities built on a green-field site, virtually alongside the South Eastern Freeway. Ultimately the racecourse will be part of a development on the 800ha site, which will include a small town centre and some 3500 homes, with both the Murray Bridge Racing Club (40%) and Thoroughbred Racing SA (10%) joint venture partners with Bourke Urban and its investors, in this long term development and investment. The new racecourse and the adjoining equine precinct will of course be 100% owned by the Murray Bridge Racing Club.

Groundworks have already commenced on the site of the new track and it is intended that racing on the new racecourse will commence at the end of 2012. Importantly the present Murray Bridge racecourse will not close until the new track is completed and ready for racing. Also, the necessary Development Plan Amendment, allowing for the overall development, has been approved and gazetted.

Race Classification and Programming Review

During the 2009/10 season a complete review was undertaken of South Australia's race classifications and programming across all meetings. With all wagering revenue providing 82.7% of Thoroughbred Racing SA's revenue, rising to 91.8% when the wagering tax relief (based on wagering turnover) is included, maximising field sizes on our best wagering days is vital in providing the funding to underpin the

THOROUGHBRED RACING SOUTH AUSTRALIA: Chief Executive Officer's Report

racing industry and the initiatives being undertaken.

The review was intended to identify how best to utilise the existing pool of horses while we endeavour to grow horse numbers and participation off the back of the initiatives put in place. Thoroughbred Racing SA management consulted with trainers and Clubs during the process, with the Board endorsing the agreed changes which came into effect from 1 August 2010. The changes saw classes streamlined by about a third, reducing from eight to five, and a greater move to Rating Band races, which is also a national trend. The position will continue to be monitored, and as was highlighted when the review commenced, it will ultimately be a number and range of changes and adjustments which will provide the desired improvement, rather than a "silver bullet" to resolve all the issues.

Resources Provided to Clubs

As well as addressing Club funding issues and the implementation of a new Club funding model, Thoroughbred Racing SA now provides additional resources which are available to Clubs in the areas of Occupational Health & Safety requirements, liquor licensing and marketing.

In December 2009 an Industry Operations Manager was appointed. Through this position Thoroughbred Racing SA provides assistance to and has a resource available to all Clubs, with regards their OH&S and race day liquor licensing compliance issues. These two areas present growing challenges and concerns for Clubs and the racing

industry as a whole, and it is imperative we develop a central platform to address the issues being identified, and to liaise with the various government agencies involved.

In my 2009 Chief Executive Officer's Report I made mention of the rebranding exercise which had just been launched to rebrand and market the South Australian racing industry. This has progressed well with growing recognition of the brand under the banner, "*THERE'S NOTHING LIKE A DAY AT THE RACES*".

Thoroughbred Racing SA's marketing team of three now provides a valuable in-house resource for Clubs in marketing of their key race days and the Thoroughbred Racing SA industry brand itself. One staff member works directly with Provincial and Country racing Clubs while another works with the South Australian Jockey Club through a formal agreement with the Club to market their key race days.

South Australian Racing Awards

I once again take this opportunity to congratulate all of the winners and to thank each of the sponsors of the various categories comprising the South Australian Racing Awards for 2009/10. We saw some excellent performances throughout the season while outstanding achievements by some of the South Australian racing stalwarts, administrators and Clubs were again recognised at the award's function.

Conclusion

Racing participants in South Australia are more optimistic as to the future of thoroughbred racing in the State than they were two to three years ago, no doubt boosted by the significant prizemoney increases which have now been fully implemented.

The challenge of course is to maintain and increase the momentum generated over the past 2-3 years, to ensure the ongoing, and importantly sustainable growth, to provide a vibrant future for racing in South Australia. The Thoroughbred Racing SA Board and Management remain focussed on developing and achieving a vibrant and financially sound racing industry, from both a Club and participant perspective.

Finally, I once again congratulate and thank all of the staff at Thoroughbred Racing SA for another excellent year, for the contribution they have made to the growth and success of thoroughbred racing in the State, and their efforts in implementing the Board's policies and strategies.



Jim Watters
Chief Executive

THOROUGHBRED RACING SOUTH AUSTRALIA: **Chief Executive Officer's Report**

South Australian Racing Awards

| Award | Winner |
|--|------------------------|
| E.J. Mooney Medal for 2009/10 South Australian Jumps Jockey of the Year | Arron Lynch |
| 2009/10 South Australian Jumps Trainer of the Year | Eric Musgrove |
| 2009/10 South Australian Country Apprentice of the Year | Libby Hopwood |
| 2009/10 South Australian Metropolitan Apprentice of the Year | Libby Hopwood |
| The Promo Place 2009/10 South Australian Most Consistent Racehorse | Catapulted |
| The 2010 Minister for Racing Award for Most Outstanding Achievement by a Volunteer | John McKinnon |
| The 2010 Minister for Racing Award for Most Outstanding Achievement by a Volunteer | Peter McEvoy |
| 2009/10 South Australian Country Jockey of the Year | Matthew Neilson |
| John Letts Award for 2009/10 South Australian Jockey of the Year | Simon Price |
| 2009/10 South Australian Country Trainer of the Year | Mick Whittle |
| 2009/10 South Australian Metropolitan Trainer of the Year | Mark Kavanagh |
| Leon Macdonald Award for 2009/10 South Australian Apprentice of the Year | Libby Hopwood |
| CS Hayes Award for 2009/10 South Australian Trainer of the Year | Mark Kavanagh |
| Glennon-Johnson Award for 2009/10 South Australian Metropolitan Jockey of the Year | Chad Lever |
| Sky Racing 2010 Most Outstanding Achievement Award by an Individual | Roger Williams |
| Sky Racing 2010 Most Outstanding Achievement Award by a Club | Bordertown Racing Club |
| Festival Hire 2009/10 South Australian Champion Racehorse of the Year | Majestic Magic |

Chairman Of Stewards' Report



Graham Loch Chairman of Stewards

The Stewards' Department continues to provide a diverse range of services to the Industry, with the emphasis on maintaining integrity as well as focussing on safety and welfare aspects. Additionally, the Department also manages the licensing of all Industry participants and conducts the function of Deputy Registrar dealing with the registration of transfers, leases and syndicates.

Both the Chairman of Stewards and the Industry Veterinarian, Dr. Peter Horridge, attended their respective National Advisory Group meetings. The Department continued to liaise and consult with Clubs and stakeholder groups on a range of strategic, integrity and safety issues.

Personnel

While the Department saw the departure of Tim Williamson (Steward) and Kevin Glover (Racecourse Investigator), both of whom served Thoroughbred Racing SA well during their tenure but decided to explore other

opportunities, it gained the services of new Stewards Dan Verberne, Andrew Hayles and Craig Deakin. We welcome Dan, Andrew and Craig to the team.

Inquiries / Investigations

During the course of the year the Stewards' Department undertook sixty-eight (68) significant investigations outside the usual race day activities, such as riding offences and prohibited/banned substances.

Riders incurred penalties as consequence of riding offences, mostly careless riding, on fifty-seven (57) occasions. This figure remains similar to previous years. One rider appealed the Stewards' decision before the Racing Appeals Tribunal. The appeal was dismissed.

Whip Offences

Following the introduction of new whip rules from 1 August 2009, and its subsequent amendment in September 2009, the Stewards' Department conducted seventy-seven (77) inquiries, fifty-nine (59) of which resulted in a monetary penalty and eighteen (18) resulted in suspensions. A number of these cases involved one "cause of action" which resulted in multiple breaches of sub-rules. In addition, a number of riders were reprimanded during the period.

Considering the significance of the changes implemented in this area and the time riders were afforded to adapt to the new provisions, the Stewards' Department is encouraged by the commitment shown by the rider group

to comply with the new Rules. In the main, most riders have now adapted quite well to the requirements and have made the appropriate adjustments to the use of their whips.

It is also important to note that only padded whips of a type approved by the Board may be used in races, trials, jump-outs and track work.

Drug Testing Strategy

Thoroughbred Racing SA Limited continues to allocate substantial funds to ensure a robust sampling strategy underpins the integrity effort.

Samples - Horses

During the 2009/10 season, pre-race blood sampling levels (for the purpose of TCO2 testing) showed a marginal increase when compared with the previous season and continued to be complimented by stable inspections and random race morning stable visits, which also included additional sampling.

Pre-race sampling was again conducted at all South Australian TAB race meetings.

The new protocol introduced in August 2008 in which the trainers of runners recording elevated TCO2 readings were provided with written notice at the time of an extensive stable inspection, continued in the season under review. Essentially, the protocol seeks to alert trainers to review stable management or husbandry practices so as to prevent the occurrence of a report above the permitted 36.0mml. Written notice was provided to fourteen (14) trainers during the year who had presented

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

horses deemed to have an elevated TCO2 level. The following samples were tested during the year –

| | 2009/10 | 2008/09 |
|-------------------------------|----------------|----------------|
| Post-race urine samples | 1074 | 937 |
| Pre-race blood samples (TCO2) | 1079 | 929 |
| Post-trial urine samples | 17 | 0 |
| Non-Race Day samples | 161 | 111 |
| No. of positive tests | 2 | 4 |

Samples - Riders

Random sampling strategies continue to be applied at trackwork, official trials, jump outs and race meetings, so as to ensure the workplace is a safe environment for all participants.

Sampling involves breath testing, saliva samples and urine samples.

| | 2009/10 | 2008/09 |
|---------------------------------|----------------|----------------|
| Jockey Samples - Urine | 76 | 70 |
| Trackwork Rider Samples - Urine | 34 | 17 |
| Saliva samples | 0 | 37 |
| Breath Testing | 282 | 289 |
| Positive tests | 8 | 2 |

Licensing

The Stewards' Department is responsible for the review of all applications for licence registration in the South Australian thoroughbred racing industry, and confirmation of the appropriate credentials and experience as well as the management of licensing records.

During the 2009/2010 Racing Season, the following licences were processed by the Department. The numbers are comparable with those issued in the previous year.

| | 2009/10 | 2008/09 |
|-------------------------------|----------------|----------------|
| Trainers | 336 | 332 |
| Jockeys | 41 | 37 |
| Apprentices | 16 | 13 |
| Interstate Jockeys | 75 | 84 |
| Interstate Apprentices | 21 | 23 |
| Stablehands | 487 | 532 |
| Stablehand / Trackwork Riders | 233 | 211 |

Apprentice Education and Recruitment

The education of Apprentice Jockeys continues to be a priority for the Authority.

The Thoroughbred Racing SA Limited Apprentice Academy, under the supervision of the Training Supervisor, Bill Forrestal, continues to serve the needs of the Industry with twenty (20) young riders enrolled.

Our valued partnership with the SA TAB continues. As a result of the partnership and with the support of the SA TAB, the Dux of the Apprentice Academy, Libby Hopwood, spent two weeks in Singapore and rode at four race meetings securing a total of twelve (12) rides.

Once again our apprentice riders performed competitively in the National Apprentice Series with Melissa Walters winning the South Australian leg. Overall South Australia finished in fourth position.

In the course of the year, the Industry again participated in a number of careers and recruitment events to profile the opportunities available within the Industry. Various schools and recruitment organisations were provided with an insight into the Industry through race day tours. In addition, the Apprentice Academy has also formed an alliance with the Marcellin Technical College. Two of our apprentices are continuing their further education through the college.

The Annual Apprentice Awards Evening was conducted in the South Australian Jockey Club's Phar Lap room in late



Kidnapped - Winner of the 2010 Betfair.com SA Derby

November 2009. Bruce McAvaney was the guest speaker at the successful evening. Apprentice Libby Hopwood was awarded the Dux of the Academy and proved her worth by finishing third on the Metropolitan Premiership Table.

Jumping Review Panel

The panel members Messrs. Richard Best, John Cornell, Dr. Peter Horridge and panel co-ordinator Senior Steward Philip Anderson continued to perform their functions with the same level of professionalism and enthusiasm as previously exhibited.

The functions of the Jumping Review Panel are to –

- (a) review all races and official jumps trials that have been conducted, including the review of recorded vision;
- (b) analyse recorded vision of all races and official jumps trials and to report with respect to –
 - (i) the performance of each horse and jockey;
 - (ii) the circumstances of any incident; and
 - (iii) the possible cause or causes of any incident (including a review of the hurdle/steeple involved).
- (c) comment on whether a horse has performed in an Official Jump Trial in accordance with the Official Policy Qualifications;
- (d) comment on whether as a result of a horse's race performance its qualification to race should be revoked or suspended and if so, on what conditions;
- (e) where appropriate require a rider to attend the Review Panel for assistance, tuition and guidance;
- (f) when required, provide assistance and advice to the Board and the Stewards on matters concerning jumps racing, which includes directing a rider to undertake further jumps training and trials;
- (g) make observations regarding the suitability of tracks to conduct jumping events and the appropriate placement of jumps at these tracks; and
- (h) consider appropriate standards in relation to the ongoing education and training for all persons who hold a licence or permit to train jumps horses.

The Jumping Review Panel has provided valuable and informed insight with respect to a number of matters throughout the season.



G. M. Loch
Chairman of Stewards



Rostova - Winner of the 2010 Sportingbet Classic

THOROUGHBRED RACING SOUTH AUSTRALIA

FINANCIAL REPORT 2010

Contents

THOROUGHBRED RACING S.A. LIMITED ABN 25 094 475 939
FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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Directors' Report

The directors present their report together with the financial report of Thoroughbred Racing SA Limited ("the Company") for the period ended 30th June 2010 and the auditor's report thereon.

Directors

The directors of the Company throughout the financial year are:

| Name and Qualifications | Experience and Special Responsibilities |
|--|---|
| Mr Philip Bentley BA (Hons) M(Ec) Chairman | <ul style="list-style-type: none"> • Mr Bentley is an economist. He has worked in the racing industry for a considerable period and conducted an inquiry into the industry for the State government. • He is Chairman Workcover Corporation and holds board positions on a number of privately owned companies • Member - Race Dates Committee • Member - Finance Committee |
| Mr Greg Boulton BA (Acc), FCA, FCPA, FAICD Deputy Chairman Resigned 26th May 2010 | <ul style="list-style-type: none"> • Mr Boulton is a chartered accountant with considerable experience in connection with sport and entertainment, including his present role with motor sports and his former role as Chairman of the Port Adelaide Football Club. • He is Executive Chairman Paragon Equity Limited and a director of K&S Corporation, Statewide Superannuation Fund, South Australian Motor Sports Board, Southern Gold Limited and a number of privately owned companies • Member - Marketing Committee |
| Mr Andrew Killey | <ul style="list-style-type: none"> • Mr Killey is a marketing, advertising and media consultant and Chairman kwp!, an advertising and marketing firm. kwp! have provided marketing and strategic services to the racing industry since 2002 and have been involved in the "legs" campaign for the SAJC and the "ants" campaign for Oakbank. • He provides strategic advice to many of South Australia's marquee events including The Clipsal 500, The Tour Down Under, The Adelaide Festival of Arts and WOMADELAIDE. • Chairman – Marketing Committee |
| Mr Brian Morris BA (Acc), LLB, FCA, FCPA, MAICD | <ul style="list-style-type: none"> • Mr Morris is a chartered accountant and Partner of Edwards Marshall • He is a former member of the Companies Auditors Disciplinary Board and has served on the Board of the South Australian Film Corporation. He holds board positions on a number of privately owned companies • Chairman - Finance Committee • Member - Marketing Committee |

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

| Name and Qualifications | Experience and Special Responsibilities |
|---|--|
| Ms Eleanor F Nelson QC LLB | <ul style="list-style-type: none"> • Ms Nelson is a barrister. She has considerable experience with the racing industry in this state. She has owned and trained thoroughbreds and served for 20 years on the committee of the Oakbank Racing Club. • She has conducted a number of inquiries into the Racing Industry on behalf of Government. • Ms Nelson also holds board positions on a number of privately owned companies. • Ms Nelson is the Chair of Parole Board of South Australia • Chairperson - Jumps Committee • Member - Race Dates Committee • Member - Finance Committee |
| Mr Peter Pedler LLB (Hons) Resigned 23rd October 2009 | <ul style="list-style-type: none"> • Mr Pedler is a solicitor and a Partner of Duncan Basheer Hannon and has served the racing industry for some years. • He is Chairman Scantech Limited and a Board member of the McCracken Group. |
| Mr David Rasheed BA (Acc), CA, FTIA | <ul style="list-style-type: none"> • Mr Rasheed is a chartered accountant and is Senior Partner of Tilbrook Rasheed. He is involved in the industry as an owner and breeder and has served on the Board of the South Australian Jockey Club. • He holds board positions on a number of privately owned companies • Member - Finance Committee • Member - Race Dates Committee |
| Mr Simon Ward LLB Appointed 12th November 2009 | <ul style="list-style-type: none"> • Mr Ward is a solicitor and Partner of Piper Alderman. He regularly advises on the Rules of Racing and legislation affecting the industry. • He is a Board member of YMCA INEA and the Legal Assistance Fund of the Law Society of SA. |

Company Secretary

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

| Name and Qualifications | Experience and Special Responsibilities |
|--------------------------------|---|
| Mr Nicholas Redin BSc (Acc) | <ul style="list-style-type: none"> • Mr Redin is the Chief Operating Officer of Thoroughbred Racing SA Ltd |

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

Principal Activities

The Company is a company limited by guarantee. The company is the Controlling Authority for thoroughbred racing in South Australia.

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

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

General operations

The general operations of the company are to:

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

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

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

Review and Results of Operations

Review of Operations

The company's surplus for the year was \$ 278,976.

The result reflects increases in prizemoney and SABOIS bonuses paid of \$ 4.051m over the previous year together with an increase in club funding of \$ 1.860m.

The result also included a one off payment to Racing Victoria Limited in the amount of \$ 1.865 m relating to backdated changes to the Victorian Racefields legislation, which has had the effect of reducing the distributions that the company has received from wagering in that State on South Australian races.

Dividends

The Company's constitution prohibits the payment of dividends.

State Of Affairs

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

Events Subsequent To Balance Date

In the opinion of the Directors, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Likely Developments

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

- The resumption of racing at Gawler following the completion of their new tracks and facilities which again should provide greater appeal to both those attending race meetings at Gawler as well as the wagering public with a consequential benefit to the industry from increased wagering revenue.
- An expanded number of TAB race meetings. The programmed meetings for 2010-11 racing season are 182 (2009-10 170). This has been achieved by increasing the number of TAB meetings including upgrading Kangaroo Island's Cup carnival to TAB status.
- The redevelopment of the Murray Bridge venue should result in a racetrack that has greater appeal to the wagering public with a consequential benefit to the industry from increased wagering revenue.

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

Directors' Meetings

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

| Director | Board | Finance | Marketing | Race Dates | Jumps |
|---------------------|-------|---------|-----------|------------|-------|
| Mr P Bentley | 12 | 3 | | 4 | |
| Mr G Boulton* | 8 | | 2 | | |
| Mr A Killey | 10 | | 3 | | |
| Mr B Morris | 11 | 3 | 3 | | |
| Ms E Nelson QC | 12 | 3 | | 4 | 2 |
| Mr P Pedler* | 4 | | | | |
| Mr D Rasheed | 11 | 3 | | 4 | |
| Mr S Ward# | 7 | | | | |
| Total Meetings Held | 12 | 3 | 3 | 4 | 2 |

* Mr Boulton resigned on 26th May 2010 and Mr Pedler resigned on 23rd October 2009.

Mr Ward was appointed on 12th November 2009.

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

- Messrs Bentley, Rasheed and Pedler work(ed) on a committee with members of the Murray Bridge Racing Club Inc on the project to develop a new course and associated facilities at Murray Bridge.
- Mr Bentley is also Thoroughbred Racing SA Ltd nominated Director for Gifford Hill Pty Ltd, the joint venture company formed for the Murray Bridge Development.
- Messrs Bentley and Boulton work(ed) on a committee with members of the Mount Gambier Racing Club on a project to realise surplus real property adjacent to the club's facilities.
- Mr Bentley and Ms Nelson are working with members of the Port Augusta Racing Club on projects to realise surplus real property adjacent to the club's facilities and to redevelop the race course and facilities of that club.
- Messrs Bentley and Boulton and Ms Nelson work(ed) on a committee with members of the Gawler and Barossa Jockey Club Inc on the project that has developed a new race course and facilities at Gawler.

Philip Bentley
Chairman

THOROUGHBRED RACING S.A. LIMITED

Auditor's Independence Declaration



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

I declare that to the best of my knowledge and belief, during the year ended 30 June 2010, there have been:

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

William Buck

William Buck
Chartered Accountants

P. A. Taylor

P.A. Taylor
Partner

Dated this 22nd day of September, 2010.
Adelaide

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

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STRATEGIC THINKING | TAILORED ADVICE | INTEGRATED SOLUTIONS

CHARTERED ACCOUNTANTS & ADVISORS

THOROUGHBRED RACING S.A. LIMITED

Financial Statements

Statement of Comprehensive Income

Thoroughbred Racing SA Limited. For the year ended 30 June 2010.

| | Note | 30 June 2010 | 30 June 2009 |
|--|------|--------------|--------------|
| Revenue | 2 | 39,228,907 | 38,990,768 |
| Other Income | 3 | 1,020,000 | 1,672,367 |
| Prizemoney | 4 | (28,972,853) | (24,921,387) |
| Industry payments | 4 | (5,807,956) | (3,672,893) |
| Employee expenses | | (2,626,338) | (2,266,022) |
| Depreciation expenses | | (226,079) | (240,315) |
| Legal Fees | | (116,046) | (451,827) |
| Financial income | 5 | 585,014 | 500,062 |
| Financial expenses | 5 | - | (25,598) |
| Other expenses | 6 | (2,805,673) | (2,821,037) |
| Net Surplus / (Loss) | 16 | 278,976 | 6,764,118 |
| Other Comprehensive Income | | | |
| Gains/(losses) transferred to income statement | | - | (25,598) |
| Change in fair value of equity securities available-for-sale | | 47,792 | (87,289) |
| Total Comprehensive Income | | 326,768 | 6,651,231 |

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 32 to 46.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Financial Statements**

Balance Sheet

Thoroughbred Racing SA Limited. For the year ended 30 June 2010.

| | Note | 30 June 2010 | 30 June 2009 |
|----------------------------------|------|-------------------|-------------------|
| Current assets | | | |
| Cash and cash equivalents | 7 | 4,745,639 | 6,539,823 |
| Trade and other receivables | 8 | 11,773,625 | 4,639,225 |
| Investments | 9 | - | 8,750,000 |
| Other assets | 10 | 170,646 | 46,171 |
| Total current assets | | 16,689,910 | 19,975,219 |
| Non-current assets | | | |
| Plant and equipment | 11 | 1,357,597 | 1,363,607 |
| Receivables | 8 | - | - |
| Investments | 9 | 1,044,151 | 996,359 |
| Total non-current assets | | 2,401,748 | 2,359,966 |
| Total assets | | 19,091,658 | 22,335,185 |
| Current liabilities | | | |
| Trade and other payables | 12 | 4,052,212 | 2,259,018 |
| Employee benefits | 13 | 410,362 | 323,804 |
| Other liabilities | 14 | 765,493 | 5,915,154 |
| Total current liabilities | | 5,228,067 | 8,497,976 |
| Non-current liabilities | | | |
| Employee benefits | 13 | 25,842 | 28,157 |
| Other liabilities | 14 | 1,345,100 | 1,643,170 |
| Total non-current liabilities | | 1,370,942 | 1,671,327 |
| Total liabilities | | 6,599,009 | 10,169,303 |
| Net assets | | 12,492,649 | 12,165,882 |
| Equity | | | |
| Reserves | 15 | 91,906 | 44,114 |
| Retained profits | 16 | 12,400,744 | 12,121,768 |
| Total equity | | 12,492,649 | 12,165,882 |

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 32 to 46.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Financial Statements**

Statement of Changes in Equity

Thoroughbred Racing SA Limited. For the year ended 30 June 2010.

| | Reserves | Retained Profits | Total |
|--|----------|------------------|------------|
| Balance as at 1 July 2008 | 157,000 | 5,357,650 | 5,514,650 |
| Net Surplus / (Loss) | - | 6,764,118 | 6,764,118 |
| Gains/(losses) transferred to income statement | (25,598) | - | (25,598) |
| Change in fair value of equity securities available-for-sale | (87,289) | - | (87,289) |
| Balance as at 30 June 2009 | 44,113 | 12,121,768 | 12,165,881 |
| Net Surplus / (Loss) | - | 278,976 | 278,976 |
| Change in fair value of equity securities available-for-sale | 47,792 | - | 47,792 |
| Balance as at 30 June 2010 | 91,905 | 12,400,744 | 12,492,649 |

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 32 to 46.

THOROUGHBRED RACING SOUTH AUSTRALIA: **Financial Statements**

Statement of Cash Flows

Thoroughbred Racing SA Limited. For the year ended 30 June 2010.

| | | 30 June 2010 | 30 June 2009 |
|--|--------------|--------------------|--------------------|
| | Note | \$ | \$ |
| Cash flows from operating activities | | | |
| Cash receipts in the course of operations | | 42,884,705 | 46,446,621 |
| Cash payments in the course of operations | | (42,850,647) | (38,149,181) |
| Interest received | | 573,276 | 291,048 |
| Dividends received | | 30,273 | 31,146 |
| Loan repayments from / (loans to) clubs | | 286,681 | (287,175) |
| Net Cash from operating activities | 19(b) | 924,288 | 8,332,459 |
| Cash flows from investing activities | | | |
| Proceeds on disposal of investments | | - | 125,004 |
| Payments from / (for) investments | | 3,500,000 | (3,624,379) |
| Payments for plant and equipment | | (220,069) | (1,337,163) |
| Net Cash from investing activities | | 3,279,931 | (4,836,538) |
| Cash flows from financing activities | | | |
| Repayment of RISA Loan | | - | (29,446) |
| Gawler Redevelopment Costs | | (5,998,403) | (25,079) |
| Net Cash from financing activities | | (5,998,403) | (54,525) |
| Net increase/(decrease) in cash held | | (1,794,184) | 3,441,396 |
| Cash at the beginning of the financial year | | 6,539,823 | 3,098,427 |
| Cash at the end of the financial year | 19(a) | 4,745,639 | 6,539,823 |

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 32 to 46.

Notes to the Financial Statements

1. Significant accounting policies

Thoroughbred Racing SA Limited ("the Company") is a company domiciled in Australia.

The financial report was authorised for issue by the Directors on 22nd September 2010.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

Basis of preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis except that financial instruments classified as available for sale are stated at their fair value.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying

assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in the financial report.

Revenue and other income

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

TAB product fee revenue

Revenue from TAB product fees is recognised as it accrues.

Betting Operations Contribution

Revenue from Betting Operations Contribution is recognised as it accrues.

SABOIS revenue

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

Sale of goods

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

Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised

as part of the cost of acquisition of the asset or as part of the expense.

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

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

Taxation

Thoroughbred Racing SA Limited is exempt from income tax.

Property, plant and equipment

(i) Owned Assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each part of property, plant and equipment.

The estimated useful lives in the current and comparative period are as follows:-

- Plant and equipment 3 – 10 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

Investments

Other financial instruments are classified as being available for sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses. When

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

these investments are derecognised the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method, is recognised in the income statement.

The fair value of financial instruments classified as held for trading and available-for-sale, is their quoted bid price at the balance sheet date. Where the fair value of investments is not able to be reliably estimated the investment is held at cost less any impairment losses (refer to note 1(j)).

Financial instruments classified as held for trading or available-for-sale investments are recognised / derecognised on the date the company commits to purchase / sell the investments.

Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an

asset exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

(i) Calculation of recoverable amount

The recoverable amount of receivables carried at amortised cost is calculated as the present value of estimated future cash flows discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a

collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversal of impairment

An impairment loss in a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired
- the consolidated entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; or
- the consolidated entity has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit and loss.

Employee benefits

(i) Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in profit and loss when they are due.

(ii) Long-term service benefits

The net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Company's obligations.

(iii) Wages, salaries, annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30-day terms.

Finance income and expenses

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

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

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

2. Revenue

| | 30 June 2010 | 30 June 2009 |
|---|-------------------|-------------------|
| | \$ | \$ |
| TAB Product Fees and Betting Operations Contributions | 37,484,740 | 36,904,739 |
| Screening & International Rights | 555,348 | 554,275 |
| SABOIS subscriptions | 355,233 | 335,367 |
| Registration Fees | 215,903 | 217,328 |
| Publications | 251,262 | 276,324 |
| Other | 366,422 | 702,735 |
| | 39,228,907 | 38,990,768 |

TAB product fees are recognised net of the SA Government tax commonly referred to as Clawback. The effect of this tax has been to reduce TRSA revenue by \$2,126,969 for the year ended 30 June 2010 (30 June 2009: \$2,142,300).

3. Other Income

| | 30 June 2010 | 30 June 2009 |
|---------------------------------|------------------|------------------|
| | \$ | \$ |
| SAJC Contribution to Prizemoney | 900,000 | 1,000,000 |
| Government promotional grants | 120,000 | 633,000 |
| Other revenue | - | 39,367 |
| | 1,020,000 | 1,672,367 |

4. Prizemoney and Industry Payments

| | 30 June 2010 | 30 June 2009 |
|--|------------------|------------------|
| | \$ | \$ |
| Prizemoney, Unplaced Subsidies and Riding Fees | 27,227,928 | 23,664,112 |
| SABOIS Bonuses | 1,744,925 | 1,257,275 |
| Prizemoney | 28,972,853 | 24,921,387 |
| Training Subsidies and Trial Payments | 1,434,000 | 1,228,942 |
| Race Day Payments & Costs | 1,147,152 | 540,000 |
| Club Promotion and Operational purposes | 1,346,732 | 1,072,806 |
| Club Capital Expenditure | 707,066 | 293,047 |
| Workcover & Insurance - Jockeys | 813,267 | 538,098 |
| Industry Staff Costs | 359,739 | - |
| Industry Payments | 5,807,956 | 3,672,893 |

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

5. Financing Income and Expenditure

| | 30 June 2010 | 30 June 2009 |
|---|----------------|-----------------|
| | \$ | \$ |
| Financial Income | | |
| Interest income | 554,741 | 468,916 |
| Dividend income | 30,273 | 31,146 |
| Total financial income | 585,014 | 500,062 |
| | | |
| Financial Expenses | | |
| Net loss on disposal of listed equity securities available for sale | - | (25,598) |
| Interest expense | - | - |
| Total financial expenses | - | (25,598) |

6. Other expenses

| | 30 June 2010 | 30 June 2009 |
|-----------------------------|------------------|------------------|
| | \$ | \$ |
| Advertising & Marketing | 254,426 | 46,743 |
| Marketing Professional Fees | 226,240 | 260,770 |
| Publication Expenses | 277,284 | 269,991 |
| Swab & Veterinary Supplies | 256,541 | 208,109 |
| TAFE Relocation | 67,103 | 584,096 |
| Other | 1,724,080 | 1,451,328 |
| | 2,805,673 | 2,821,037 |

7. Cash and cash equivalents

| | 30 June 2010 | 30 June 2009 |
|--------------------------|------------------|------------------|
| | \$ | \$ |
| Cash at bank and on hand | 93,478 | 1,538,385 |
| Bank short term deposits | 4,652,161 | 5,001,438 |
| | 4,745,639 | 6,539,823 |

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

8. Trade and other receivables

| | 30 June 2010 | 30 June 2009 |
|------------------------------------|------------------|-----------------|
| | \$ | \$ |
| Current | | |
| Trade receivables | 3,659,516 | 2,530,703 |
| Other receivables | 1,011,135 | 742,349 |
| Loans to Thoroughbred Racing Clubs | 7,102,974 | 1,366,173 |
| | <hr/> 11,773,625 | <hr/> 4,639,225 |
| Non-Current | - | - |

9. Investments

| | 30 June 2010 | 30 June 2009 |
|--|-----------------|-----------------|
| | \$ | \$ |
| Current | | |
| Interest Bearing Deposit | - | 3,500,000 |
| Interest Bearing Deposit - Gawler Grant | - | 5,250,000 |
| | <hr/> - | <hr/> 8,750,000 |
| Non-current | | |
| Investment in Racing Information Services Australia Pty Ltd ("RISA") | 374,229 | 374,229 |
| Listed equity securities available for sale | 669,922 | 622,130 |
| | <hr/> 1,044,151 | <hr/> 996,359 |

10. Other current assets

| | 30 June 2010 | 30 June 2009 |
|-------------|---------------|--------------|
| | \$ | \$ |
| Prepayments | 170,646 | 46,171 |
| | <hr/> 170,646 | <hr/> 46,171 |

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

11. Plant and equipment

| | 30 June 2010 | 30 June 2009 |
|--------------------------------|--------------|--------------|
| | \$ | \$ |
| Current | | |
| Plant and equipment - at cost | 3,280,500 | 3,060,163 |
| Less: accumulated depreciation | (1,922,903) | (1,696,556) |
| Total plant and equipment | 1,357,597 | 1,363,607 |

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

Reconciliations

Reconciliations of the carrying amounts for each class of plant and equipment are set out below:

| | 30 June 2010 | 30 June 2009 |
|--|--------------|--------------|
| | \$ | \$ |
| Plant and equipment | | |
| Carrying amount at the beginning of the year | 1,363,607 | 266,758 |
| Additions | 220,429 | 1,337,163 |
| Disposals | - | - |
| Depreciation | (226,079) | (240,314) |
| Carrying amount at end of year | 1,357,957 | 1,363,607 |

12. Trade and other payables

| | 30 June 2010 | 30 June 2009 |
|-----------------------------|--------------|--------------|
| | \$ | \$ |
| Trade payables | 898,111 | 342,490 |
| Other payables and accruals | 3,154,101 | 1,916,528 |
| | 4,052,212 | 2,259,018 |

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

13. Employee benefits

| | 30 June 2010 | 30 June 2009 |
|----------------------------------|---------------|---------------|
| | \$ | \$ |
| Current | | |
| Liability for long service leave | 209,628 | 159,413 |
| Liability for annual leave | 200,733 | 164,391 |
| | <hr/> 410,362 | <hr/> 323,804 |
| Non-current | | |
| Liability for long service leave | 25,842 | 28,157 |

Defined contribution superannuation funds

The Company makes contributions to various defined contribution funds. The amount recognised as an expense was \$203,161 for the financial year ended 30 June 2010 (2009: \$135,280).

14. Other liabilities

| | 30 June 2010 | 30 June 2009 |
|---|---------------|-----------------|
| | \$ | \$ |
| Current | | |
| Income received in advance | 765,493 | 690,233 |
| Grant - Gawler Racecourse Redevelopment | - | 5,224,921 |
| | <hr/> 765,493 | <hr/> 5,915,154 |

In 2009 the Company received a grant of \$6 million from the Minister for Recreation, Sport and Racing to meet part of the cost of redevelopment of the Gawler Racecourse. The redevelopment is being undertaken by the Gawler and Barossa Jockey Club Inc, the owner of the racecourse property, with assistance from the Company.

The Company recognised the Minister's grant and its obligation to fund the redevelopment by recognition of a liability of \$6 million, which has been reduced by amounts paid to the Club to fund the development. The liability was reduced by payments of \$775,000 during the 2009 financial year and by payments of \$5.225 million during the current year.

Non-current

| | | |
|----------------------------|-----------------|-----------------|
| Income received in advance | 1,345,100 | 1,643,170 |
| | <hr/> 1,345,100 | <hr/> 1,643,170 |

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

15. Reserves

| | 30 June 2010 | 30 June 2009 |
|-------------------------------------|--------------|--------------|
| | \$ | \$ |
| Fair value reserve | 91,906 | 44,114 |
| | <hr/> | <hr/> |
| Movements during the year | | |
| Balance at beginning of year | 44,114 | 157,000 |
| Total recognised income / (expense) | 47,792 | (112,886) |
| Balance at end of year | 91,906 | 44,114 |
| | <hr/> | <hr/> |

Nature and purpose of reserves

Fair value reserve: The fair value reserve includes the cumulative net change in the fair value of available for sale investments until the investment is derecognised.

16. Retained profits

| | 30 June 2010 | 30 June 2009 |
|---|--------------|--------------|
| | \$ | \$ |
| Retained profits at beginning of year | 12,121,768 | 5,357,650 |
| Net profit/(loss) attributable to the Company | 278,976 | 6,764,118 |
| Retained profits at the end of the year | 12,400,744 | 12,121,768 |
| | <hr/> | <hr/> |

17. Auditors' remuneration

| | 30 June 2010 | 30 June 2009 |
|---|--------------|--------------|
| | \$ | \$ |
| Audit Services - William Buck (2009 KPMG) | | |
| Audit of the financial report | 13,960 | 20,500 |

18. Segment reporting

The Company operates in one segment, being the business of thoroughbred racing administration in the state of South Australia.

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

19. Notes to the statement of cash flows

a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

| | Note | 30 June 2010 | 30 June 2009 |
|------|------|--------------|--------------|
| | | \$ | \$ |
| Cash | 7 | 4,745,639 | 6,539,823 |

b) Reconciliation of profit from ordinary activities to net cash provided by operating activities

| | 30 June 2010 | 30 June 2009 |
|--|--------------|--------------|
| | \$ | \$ |
| Profit / (loss) from ordinary activities | 278,976 | 6,764,118 |
| Add/(less) items classified as investing/financing: | | |
| - (Profit)/loss on sale of investments | - | 25,598 |
| Add/(less) non-cash items: | | |
| - Interest income on loans at fair value | - | (166,125) |
| - Interest expense on loans at fair value | - | - |
| - Amounts set aside to provisions | 84,243 | 40,827 |
| - Depreciation expense | 226,079 | 240,314 |
| Net cash from operating activities before change in assets and liabilities | 589,298 | 6,904,732 |
| Change in assets and liabilities during the period: | | |
| - Change in trade receivables | (1,128,814) | 338,213 |
| - Change in other receivables | (268,786) | (689,368) |
| - Change in loans to thoroughbred racing clubs | 286,681 | (287,175) |
| - Change in prepayments | (124,475) | 21,688 |
| - Change in accounts payable | 555,621 | (50,977) |
| - Change in income received in advance | (222,811) | 1,759,221 |
| - Change in other creditors and accruals | 1,237,573 | 336,125 |
| Net cash from operating activities | 924,287 | 8,332,459 |

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

20. Key management personnel compensation

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

| | 30 June 2010 | 30 June 2009 |
|------------------------------|----------------|----------------|
| | \$ | \$ |
| Short term employee benefits | 551,330 | 411,972 |
| Post-employment benefits | 4,406 | 30,964 |
| | 555,736 | 442,936 |

21. Related parties

Directors

The names of each person holding the position of director of Thoroughbred Racing SA Limited during the financial year are Messrs P Bentley, G Boulton (Res.), A Killey, B Morris, P Pedler (Res.), D Rasheed, S Ward (Appt.) and Ms E.F Nelson QC.

Directors Compensation

The directors compensation included in employee expenses are as follows:

| | 30 June 2010 | 30 June 2009 |
|--------------------------|----------------|----------------|
| | \$ | \$ |
| Directors remuneration | 197,254 | 193,800 |
| Post-employment benefits | 6,399 | 6,192 |
| | 203,653 | 199,992 |

Directors' transactions with the Company

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

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

| Director | Transaction | Note | 2010 | 2009 |
|-------------|--------------------|------|---------|---------|
| Mr A Killey | Marketing Services | (i) | 171,554 | 155,958 |
| Mr S Ward | Legal Services | (ii) | 42,798 | |

(i) The Company used the marketing services of associated entities of Mr A Killey in relation to marketing campaigns and talent retention for the industry.

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

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

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

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

| | 2010 | 2009 |
|------------------|--------|-------|
| | \$ | \$ |
| Current Payables | | |
| Trade payables | 48,237 | 9,622 |

22. Contingent liabilities

a) SABOIS (*formerly SABIS*)

Qualified yearling horses are nominated for the South Australian Breeders & Owners Incentive Scheme (SABOIS) allowing them the opportunity to win bonuses in specified races during their two and three year old years.

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

An estimate has been made based on past experience of likely future bonuses payable for those horses nominated for the scheme that are yet to reach the age of four. At 30th June 2010 it is estimated that these future bonuses will be \$ 5.1 million.

b) Betting Operations Contribution

Interstate legislation that gives rise to the Betting Operations Contributions in those states is the subject of legal challenges, including a challenge to the Full Bench of the Federal Court of Australia. The outcome of those challenges may affect the Company.

South Australian legislation that gives rise to the Betting Operations Contributions, is the subject of a legal challenge by one Operator in the Federal Court of Australia. The outcome of this challenge may affect the Company.

23. Risk management

a) Risk management framework

Identification, measurement and management of risk is a priority for the Company. The provision of administration and management to the horse racing industry in South Australia carries a number of diverse risks which may have a material impact on the Company's financial position and performance. Consequently, the Board and Management have established a framework covering accountability, oversight, measurement and reporting to maintain high standards of risk management.

The Company allocates specific roles in the management of risk to Management. This is undertaken within an overall framework and strategy established by the Board.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

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

b) Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of a customer to meet their obligations to the Company on time and in full, as contracted. It arises principally from the Company's receivables from customers and investment securities. To address this risk, the Company has implemented a credit risk management framework which has been approved by the Board.

Management of credit risk

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Approximately 68 percent (2009: 71 percent) of the Company's revenue is attributable to transactions with a single customer. Geographically there is no concentration of credit risk.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Management. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The policy does not apply to persons licensed under the Betting Operations Contribution Agreement.

Maximum Company credit exposures for financial assets are analysed below:

| | Maximum Credit Risk Exposure | Maximum Credit Risk Exposure |
|---|------------------------------|------------------------------|
| | 2010 | 2009 |
| Cash and cash equivalents | 93,478 | 1,538,385 |
| Bank short term deposits | 4,652,161 | 5,001,438 |
| Trade and other receivables | 4,409,989 | 3,273,052 |
| Investment securities | 669,922 | 622,130 |
| Investments in other entities | 374,229 | 374,229 |
| Other Investments | - | 8,750,000 |
| Loans to thoroughbred racing clubs | 7,102,974 | 1,366,173 |
| Prepayments and accrued income (excluding non financial assets) | 170,646 | 46,171 |
| Total Exposures | 17,473,399 | 20,971,578 |

Trade and other receivables arise largely as a result of the racing distribution agreement with the SA TAB.

Trade receivables are analysed as follows:

| | 2010 | 2009 |
|---|-----------|-----------|
| Not impaired: | | |
| Neither past due nor impaired | 2,530,703 | 2,530,703 |
| Past due greater than 3 months but not impaired | 102,658 | 102,658 |
| Impaired | - | - |

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

Impaired trade receivables

At 30 June 2010, the impairment provision is \$nil (2009: \$nil). The amount of debtors written off as unrecoverable during the year was \$nil (2009: \$nil).

Investments

The Company holds equities available for sale that are traded on the stock exchange.

c) Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations when they come due, or will have to do so at excessive cost.

Exposure to and management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Contractual maturities for financial liabilities on a gross cash flow basis are analysed below:

| Company | Carrying amount | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 yr to 5yrs |
|--|------------------|------------------|---------------|----------------|------------------|
| As at 30 June 2010 | | | | | |
| Trade payables (excluding non financial liabilities) | 89,811 | 89,811 | - | - | - |
| Other payables and accruals (excl non financial liabilities) | 3,508,570 | 3,508,570 | - | - | - |
| Income received in advance | 2,110,593 | - | - | 765,493 | 1,345,100 |
| Grant - Gawler Racecourse Redevelopment | - | - | - | - | - |
| Total | 5,708,974 | 3,598,381 | - | 765,493 | 1,345,100 |

| Company | Carrying amount | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 year to 5 yrs |
|--|------------------|------------------|------------------|------------------|------------------|
| As at 30 June 2009 | | | | | |
| Trade payables (excluding non financial liabilities) | 342,490 | 342,490 | - | - | - |
| Other payables and accruals (excl non financial liabilities) | 1,916,526 | 1,916,526 | - | - | - |
| Income received in advance | 2,333,403 | - | - | 690,233 | 1,643,170 |
| Grant - Gawler Racecourse Redevelopment | 5,224,921 | - | 1,500,000 | 3,724,921 | - |
| Total | 9,817,340 | 2,259,016 | 1,500,000 | 4,415,154 | 1,643,170 |

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

d) Market risks

Market risk centres on interest rate risk arising from changes in the shape and direction of interest rates (yield curve risk) as well as mismatches in the re-pricing term of assets and liabilities.

At reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

| Fixed rate instruments | 2010 | 2009 |
|---------------------------|-----------|------------|
| Financial Assets | 4,652,161 | 13,751,438 |
| | <hr/> | <hr/> |
| | 4,652,161 | 13,751,438 |
| Variable rate instruments | 2010 | 2009 |
| Financial Assets | 93,478 | 1,538,385 |
| | <hr/> | <hr/> |
| | 93,478 | 1,538,385 |

The Company does not have any exposure to interest rate movements for fixed rate instruments.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, remain constant.

| | 100bp increase | 100bp decrease |
|---------------------------|----------------|----------------|
| 30-Jun-10 | | |
| Variable rate instruments | 935 | (935) |
| 30-Jun-09 | | |
| Variable rate instruments | 15,384 | (15,384) |

Management of interest rate risk

Interest rate risk is monitored by Management under guidelines and limits defined by the Board.

Equity Price risk

Equity price risk is the risk movement in investment prices in which the Company has invested will affect the Company's profits. An overall reduction of 5% or more in investment prices will have an impact, of which the decline in some securities will be offset by the Fair value reserve.

| | 2010 | | 2009 | | | |
|-----------------|-----------------|-------------------------|-----------------|---------|-------------------------|--------|
| | Carrying Amount | Effect on Profit/Equity | Carrying Amount | | Effect on Profit/Equity | |
| | | -5% | 5% | | -5% | 5% |
| Listed equities | 669,922 | (33,496) | 33,496 | 622,130 | (31,107) | 31,107 |

Fair Values - Fair values versus carrying amounts

The fair values of financial assets and liabilities are equal to the carrying amounts recorded in the balance sheet.

THOROUGHBRED RACING S.A. LIMITED

Directors' Declaration

DIRECTORS' DECLARATION

- 1 In the opinion of the directors of Thoroughbred Racing S.A. Limited (the "Company"):
 - a. The financial statements and notes, set out on pages 8 to 23, are in accordance with the Corporations Act 2001, including:
 - i. Giving a true and fair view of the financial position of the Company as at 30 June 2010 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - ii. Complying with Accounting Standards in Australia and Corporations Regulations 2001; and
 - b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Adelaide this 22nd day of September 2010.

Signed in accordance with a resolution of the directors:



P Bentley
Director

THOROUGHBRED RACING S.A. LIMITED

Independent Auditor's Report



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

We have audited the accompanying financial report of Thoroughbred Racing SA Limited, which comprises the balance sheet as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Independence

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

Sydney
Melbourne
Brisbane
Perth
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THOROUGHBRED RACING SOUTH AUSTRALIA: **Independent Auditor's Report**



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

Auditor's Opinion

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

- (a) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

William Buck

William Buck
Chartered Accountants

P.A. Taylor
P.A. Taylor
Partner

Dated this 23rd day of September, 2010.
Adelaide

Sydney
Melbourne
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