

Tasracing ANNUAL REPORT 2012



Leaders in innovative racing technology.



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CHAIRMAN'S REPORT

The Tasmanian racing industry benefited from greater returns in 2011/12 because of various commercial decisions taken by Tasracing and race programming strategies that have ultimately increased average field sizes.

As a result, total national wagering turnover on Tasmanian product on a year-on-year basis increased by nearly seven per cent for the thoroughbred code, by more than five per cent for the harness code and 12 per cent for the greyhound code.

By any measure these are excellent results that will assist to ensure the long-term sustainability of the industry.

They are even more impressive when you consider they were achieved within a volatile national market.

The racing and wagering landscape has changed significantly since Tasracing was established through the impact of privatisation, enhanced competition from non-racing sectors

(particularly sports betting), new technology disrupting traditional product distribution channels and an ageing, traditional customer base.

Tasracing has adapted to these changes, and will continue to.

Though TOTE Tasmania and Tasracing have been separate entities since 2009, the sale of TOTE Tasmania to the Tatts Corporation was a key event for our organisation in this reporting period.

While Tasracing and the Tatts Group already enjoyed a solid working relationship, I was pleased that the sale arrangements negotiated by the Tasmanian Government required the provision of ongoing access to Tatts Bet pools, providing wagering opportunities at non-Sky meetings and a free-to-air radio racing service. These were important outcomes and should not be underestimated from an industry perspective.

Just as important is the funding deed Tasracing has in place with

the State Government that provides guaranteed funding until 2029. This arrangement insulated the industry from any potential impact of the TOTE Tasmania sale, and the legislation that facilitated the collection of racefield fees provided a new commercially-driven revenue stream for the racing industry.

Our Corporate Plan outlines Tasracing's direction and provides an overview of priorities and strategies on which all activities will be based. In summary, it sets out a blueprint for the development of a globally competitive and sustainable racing industry in Tasmania.

Regular review of the plan to take account of changes and opportunities as they arise is an important activity of the Tasracing Board. This was again undertaken this year.

As the financial report states, Tasracing has recorded a loss for 2011/12 of \$10.4 million. The company continued the annual cycle of reducing costs to meet increased



stakes payments. The FY12 results were put under further pressure by increased workers' compensation expenses and a change in the accounting treatment for the TasBonus scheme. The business model and the current financial performance has resulted in an impairment expense of \$5.7million in 2012.

Tasracing understands it has a leading role to play in working with industry to improve and achieve sustainability within an appropriate timeframe. With this in mind, robust cost control measures within the organisation continue to be implemented. This is the subject of ongoing review and management.

Discussions have also commenced with the Tasmanian Government and other relevant stakeholders to discuss initiatives to improve profitability and sustainability. These discussions will continue beyond the reporting period covered by this Annual Report.

As was reported at the time, Chief Executive Officer Gary Lottering formally tendered his resignation in May 2012. Mr Lottering did an excellent job as CEO, first overseeing the establishment of the company and then managing the business through significant industry and wagering market changes.

During his time as CEO, Tasracing achieved a number of significant milestones, including international market expansion, the development of Tapeta Park at Spreyton and commencement of night thoroughbred racing in Launceston.

On behalf of the Board, I would like to thank Mr Lottering for his strong commitment to the organisation during a challenging period for the industry, and wish him well pursuing other opportunities. I welcome and endorse the appointment of Eliot Forbes who has taken over as CEO.

I would also like to thank my colleagues on the Tasracing Board for

their support and counsel during our various deliberations and discussions, and all Tasracing employees.

Finally, I would like to recognise the strong support shown to Tasracing and the racing industry by Racing Minister Bryan Green. I look forward to continuing to work with the Minister alongside my fellow Directors on the ongoing development of a financially sustainable racing industry.

Brian Speers
Chairman



FROM THE CEO

In every Annual Report message I have written as CEO of Tasracing, I have spent time reflecting on a changing racing and wagering landscape.

This year's message, my last as CEO, is no different.

While we have always competed with other forms of entertainment, new forms of non-racing wagering, such as sports betting, are significantly growing in popularity. Successfully engaging with Gen Y as racing's traditional customer base ages and rapid changes in technology are other factors that have impacted on our industry.

In previous messages I have also referenced Tasracing's Corporate Plan. It is an important document that outlines our direction and provides an overview of priorities on which we base all of our activities. It is the master document we refer to when developing strategies to meet the challenges of a "changing landscape".

Reflecting on 2011/12, I am pleased to report that, as an organisation, we have delivered outcomes that have assisted us to meet our targets in the Corporate Plan.

Spreyton (Tapeta Park) redevelopment

The \$9.7 million all-weather, synthetic thoroughbred track at Spreyton was officially opened by the Minister for Racing, Bryan Green, in September to coincide with its first thoroughbred meeting.

The track was designed and constructed by Tapeta Footings, an international company that specialises in all-weather equine tracks and facilities.

Completed on time and within budget, it replaces the previous grass track that had reached the end of its useful life and was unable to cope with the required number of race meetings, particularly during wet weather conditions.

The all-weather synthetic Tapeta surface ensures that races can be conducted when scheduled, providing surety for customers, racing participants and product revenue.

The track has attracted national and international attention and, importantly, strong local industry support.

Average race turnover at Tapeta Park increased by 26 per cent during the financial year with turnover on races

totalling more than \$23.5 million. This can be directly related to robust field sizes (average of 9.7). There were 1370 starters from 1914 nominations.

Further, the track has proven to be fair and unbiased – of the 141 winners, positions in running data reveals that horses can win from anywhere in the field.

In what is believed to be an Australian first, harness training, trials and workouts were conducted on the Tapeta surface towards the end of the financial year with a view to holding a harness meeting at the track.

Importantly, the track does not require special preparation work for a harness meeting. Tasracing consulted track designer Michael Dickinson during the harness training and trials who was "delighted" that the track could feature another code.

Plastic running rails

State-of-the-art plastic running rails have been installed at the three thoroughbred tracks.

The "breakaway" plastic rails system greatly reduces the chance of injury for both jockey and horse in the event of a collision with the rail.



Manufactured in France, the PVC rails have a UV resistant layer which coats onto the exposed sections of the rail.

The introduction of plastic rails has been a priority for the Tasmanian Jockeys' Association for some time.

Industry funding

A new code funding model that recognises and rewards performance was introduced for 2011/12. The model takes account of relative costs to participants, the economic benefit of each code to the state, wagering attractiveness and funding history.

The allocations for 2011/12 were:

- Thoroughbreds - \$11.59 million.
- Harness - \$5.83 million.
- Greyhounds - \$4 million.

Previous allocations were not linked to commercial performance and did not focus on increasing overall wagering turnover, an important consideration if the industry is to become truly sustainable and less reliant on the Tasmanian Government for funding.

Technology

2011/12 was the first full year of operation of StrideMASTER

– the GPS tracking system for thoroughbreds that captures key performance statistics for all horses in all Tasmanian races.

StrideMASTER information is collected via a 70-gram device that sits in the saddle cloth of each horse. It is completely portable and requires no additional infrastructure to be installed at racetracks.

Information collected includes sectional times, positions in running and biometric data (stride length, the duration of each stride, stride efficiency and velocity).

Race results and the data are collated into user friendly formats and published weekly on the Tasracing website (www.tasracing.com.au).

When the product was launched, we said the new technology would assist punters and enable owners and trainers to better understand their horse's performance.

I am very pleased to report that the StrideMASTER system has proved to be extremely valuable and has assisted to drive significant new visitor traffic to our website and position Tasmanian racing product as a premium choice for wagering customers.

The suite of results data that will be rolled out in 2012/13 will take Tasracing's delivery of pre-race and post-race information for customers and stakeholders to a very high level.

Further work was undertaken on the system in 2011/12 to provide new assessment tools to enhance its capabilities.

As noted above, web traffic increased substantially in 2011/12 – up by 93 per cent compared to 2010/11.

In addition to the StrideMASTER information, the layout was enhanced, thoroughbred and harness form was included and race replays for all three codes were introduced. There are nearly 4000 replays online.

This work is consistent with Tasracing's customer focus methodology and strategy to ensure our product is relevant to digitally-savvy customers from Gen Y and Gen Z.

Focus was also placed on driving traffic to the website via social media platforms, Facebook and Twitter. Every week Tasracing is reaching almost 20,000 people on Facebook.

The digital strategy has established a strong base on which to build an enhanced digital offering suited to



existing and new customers and that may ultimately drive revenue streams from the website.

Sky Channel partnership

Sky Racing and Tasracing announced an expansion of our partnership that extended Sky's media rights for Tasmanian thoroughbred racing to 2016.

Tasmanian racing is a key component of Sky Racing's three channels. Sky Racing World (Channel 521 on FOXTEL and AUSTAR) features extensive coverage of night gallops, including mounting yard commentary, previews and interviews as part of its thoroughbred-only racing broadcast.

Tasmanian racing is also a key part of Sky's core wagering channels, Sky Racing1 and Sky Racing2.

At the time of the announcement, Sky Racing's Chief Operating Officer, Brendan Parnell, said: "Tasracing is well positioned with night racing at Launceston and the Devonport synthetic track, helping it to realise benefits within Australia and globally. Tasmanian racing has proven to be attractive to wagering customers both in Australia and abroad."

tasBonus – thoroughbred Tasmanian bonus scheme

A revamped thoroughbred breeder's bonus scheme was launched this year. The tasBonus scheme replaced the former RVL aligned SuperVOBIS scheme.

More than 180 horses were nominated for the scheme by breeders and owners for 2012/13.

The number of nominations received exceeded our initial expectations, and more horses paid up for tasBonus than in the previous scheme.

Tasracing recognised an expense of \$340,996 in 2011/12 for bonus payments under the scheme.

The tasBonus scheme pays \$4000 (\$3000 to the owner and \$1000 to the breeder) for a nominated two-year-old and three-year-old horse's first maiden win. Four-year-old horses are rewarded with a \$3000 bonus for their maiden win (\$2,250 for the owner and \$750 for the breeder).

Owners and breeders are eligible for an additional \$3000 and \$1000 bonus respectively for non-maiden horses winning additional specified two-

year-old and three-year-old races.

Winning owners of specified two-year-old and three-year-old races will have the option of converting their \$3000 cash bonus into a \$6000 sale credit to be utilised at the Tasmanian Magic Millions Yearling Sale.

Tasracing's ongoing support of the scheme, together with similar strategies in the harness and greyhound codes and involvement with yearling horse sales, provides important support for Tasmanian breeding.

Training

The first phase of the three-year industry training plan was completed in 2011/12 for the thoroughbred code. Harness code requirements will be concluded in 2012/13, with work for the greyhound code to be undertaken in the following financial year.

The training program is very important for the industry as Tasracing believes it is critical industry remains up-to-date with industry skills in order to ensure portability, attract external funding and for insurance considerations.

Highly skilled participants also play



an important role in the delivery of a quality racing product.

Tasracing secured substantial external funding to minimise the cost for industry participants. It also played a key role, alongside its registered training providers, in the implementation of the training and skills recognition for participants.

Key factors financial performance

Tasracing has been established to implement change to create a sustainable racing industry in Tasmania. Many of the initiatives implemented pursue growth in income, robust cost control, effective capital management and improvements in operational efficiency. These changes have been applied to the existing business model which continue to be loss-making. Tasracing made a loss for the year of \$10.4 million (2010/11 - \$3.61 million) after an impairment expense of \$5.7 million (2010/11 - nil).

Though it was outside the reporting period, it is worth noting that on 6 August 2012, the company received a letter from the Minister for Racing confirming shareholder support for

a package to assist the company in improving its financial position and performance. The package contains a combination of short and long-term actions for the company to pursue which are currently being appraised and implemented. The aim of these measures is to provide the company with a pathway to sustainability over an appropriate timeframe.

Financial Performance

Racefield revenue increased to \$4.7 million in 2011/12 from \$3.2 million as a result of an 8.4 per cent increase in wagering turnover and a full year of collections.

Funding from the government increased by \$1.2 million, being a CPI increase in operational grants under the funding deed equivalent to \$640,000 and \$533,000 in financial support in relation to borrowing costs for the loan for the Spreyton re-development.

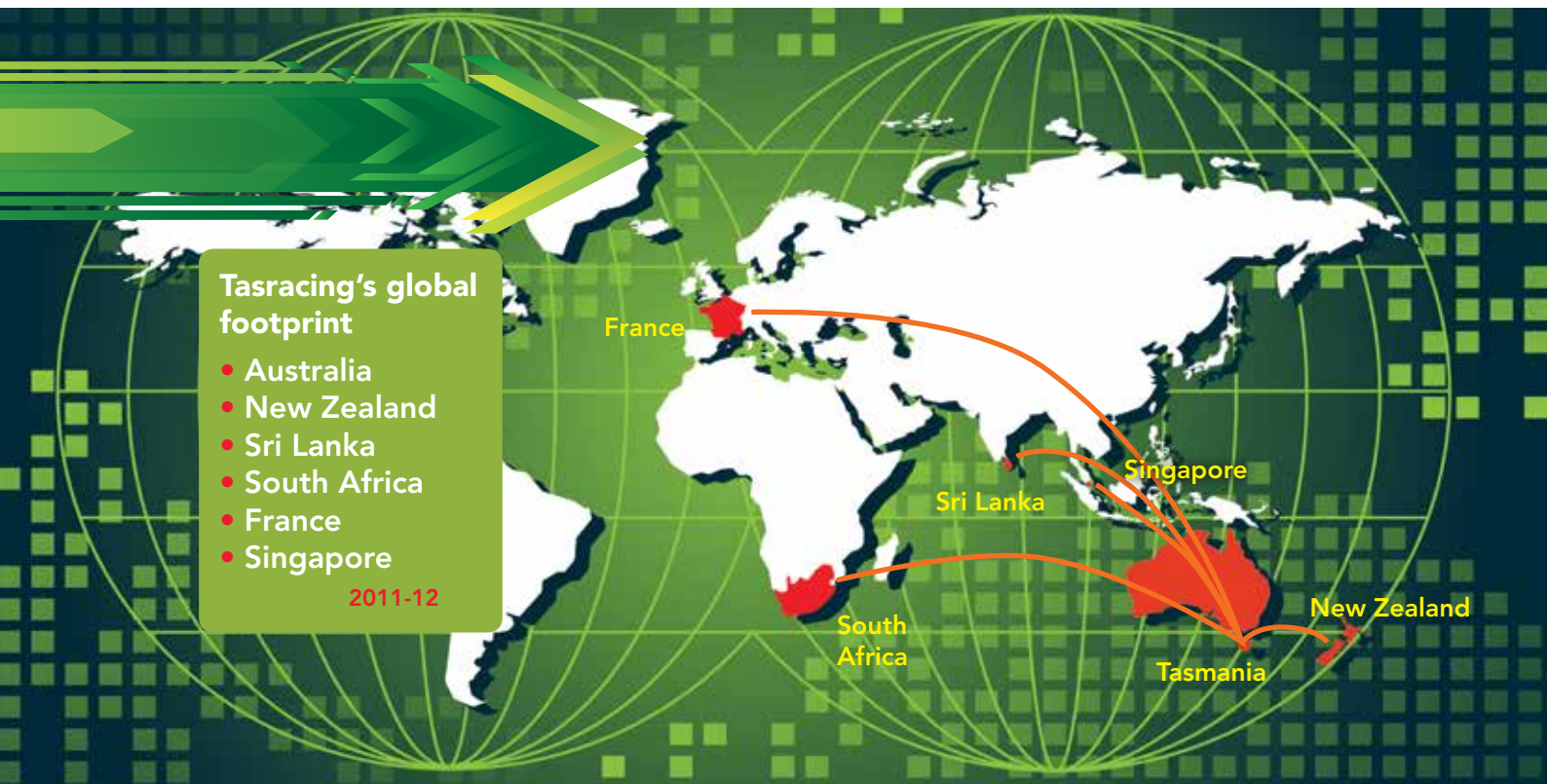
The introduction of a new club funding model on 1 July 2011 reduced the number of income and expense streams between Tasracing and clubs. A reduction in income from clubs of \$1.14 million was substantially offset by a reduction in payments to clubs of \$1.10 million

included in prize money and industry funding in 2011. Net payments to clubs were constant at \$1.2 million from 2011 to 2012.

Prizemoney and industry funding, excluding club payments, increased by \$1.2 million driven by a CPI increase in stakes in accordance with the funding deed and the higher cost of breeding incentives.

Tasracing adopted the Public Sector Superannuation Reform Act during the year and incurred \$129,000 on this transition. Tasracing also applied the Long Service Leave (State Employees) Act 1994 and recognised an expense of \$165,000. An increase of five per cent per annum was applied to ground staff wages under the existing Enterprise Agreement. Furthermore, the company has experienced an increase in remuneration for individuals contracted under State Awards.

An impairment expense of \$5.7 million was recognised in 2011/12 (2010/11 - nil). The business model of Tasracing continues to make losses and as a result, an impairment review was conducted by management. As the company and current business model is not generating sufficient cash flows, the value of non-current assets



has been reduced by the non-cash impairment expense of \$5.7 million.

Depreciation increased by \$299,000, principally as a result of the completion of the Spreyton project.

Finance costs increased by \$734,000 as a result of the increased borrowings for the Spreyton project.

The cost of workers' compensation, principally in relation to jockey injuries, increased significantly during the year, driving a \$1.4 million increase in insurance costs from \$0.3 million in 2011 to \$1.7 million in 2012. The ongoing level of this risk and associated cost remains key priorities of the company and the industry in its path to sustainability.

Tasracing has continued to reduce costs where possible, including a decrease in marketing costs of \$375,000 and other costs of \$289,000.

Financial Position

Notwithstanding the loss for the year, cash has reduced by \$0.7 million to \$4.2 million. Management has introduced working capital measures to optimise cash flows including moving to a monthly racefield fee collection process. Furthermore, the annual loss includes significant non-

cash expenses such as depreciation and impairment.

Tangible fixed assets have decreased by \$1.4 million as additions of \$7.2 million, mostly relating to the completion of the Spreyton project, were offset by depreciation and impairment charges.

The financial accounts reflect the restatement in relation to the defined benefit obligation. The company's net assets were increased by \$1.3 million at 30 June 2011 to derecognise a liability in relation to three former employees.

Borrowings have increased by \$7.4 million as the capital facility in the funding deed was drawn down to match the spend on Spreyton.

International market expansion

Given Tasmania's low population and the highly competitive wagering environment in which we operate, it is vitally important that the Tasmanian racing product generates off-course wagering customers and additional income for the industry.

There are now five international wagering operators registered with Tasracing – New Zealand, Singapore,

Sri Lanka, South Africa and France.

The most recent to sign on is France, one of the world's biggest wagering markets, through French wagering operator PMU. While PMU has previously imported selected Australian races, we understand that this was the first time that Australian racing product from any jurisdiction has been made available for broadcast and wagering in France on a continuous basis, thus opening up a new funding stream for the Tasmanian industry via overseas product fees.

Tasracing identified the export potential for night racing for a national and international audience some time ago and worked with the Tasmanian Turf Club and Sky Racing to open up the potential new market.

Importantly, PMU has agreed to receive more Tasmanian racing product for the 2012/13 night racing season. International audience access means Tasmanian racing via Sky Racing World, which features expanded live coverage from the race course.

The deal was made possible by Tasracing's negotiations with Sky Channel that initially saw Thursday



night thoroughbred racing move from Sky 2 to Wednesday night and Sky 1. The Wednesday night broadcast follows on from several prominent interstate metropolitan midweek meetings.

Importantly, the industry has been very supportive of Wednesday night racing, which is reflected in the average field size for each night race.

Conclusion

At the start of this Annual Report message I mentioned the importance of the Corporate Plan and that it guides every decision we take. Its overall focus is to deliver an improved financial performance.

The Tasmanian racing industry has performed very well in 2011/12. It is important to note that this improved performance is the direct result of commercial decisions taken by Tasracing, for example, the increase in total national wagering turnover which is delivering positive returns to the industry through racefield fees. While the Tasmanian Government remains strongly committed to the industry through a substantial funding deed, there is no question that there will be new challenges for the industry to face – recent history tells us this will be the case.

It is vital that industry works with Tasracing and the Tasmanian Government, to navigate these changes. Broad-based industry support is an obvious key ingredient in Tasracing's plans to make the industry financially sustainable and less reliant on Tasmanian

Code Meetings	Quarter 1 1/7/11 - 30/9/11	Quarter 2 1/10/11 - 31/12/11	Quarter 3 1/1/12 - 31/3/12	Quarter 4 1/4/12 - 30/6/12
Thoroughbred				
TAN	2	1	1	1
Jockey Meeting	2	2	2	3
Harness				
Open Industry Forum	1	1	1	1
Harness Programming Working Group	1		1	1
Harness Yearling Sale Working Group		1	1	1
Greyhound				
Greyhound Reference Group	2	1	1	1

Government funding.

In concluding my last Annual Report message as CEO of Tasracing, I would like to say that I have thoroughly enjoyed my 10 years working in senior management positions in the Tasmanian racing industry at TOTE Tasmania and Tasracing.

I would like to take this opportunity to thank all Board members and Racing Ministers I have worked with since my appointment in 2009 for their encouragement and support. I would also like to thank all Tasracing employees for their loyalty, commitment and friendship. Over the years they have all had a part to play in the development of Tasracing. I am proud to be leaving behind a skilled, dedicated and dynamic team that is well equipped to take the industry forward.

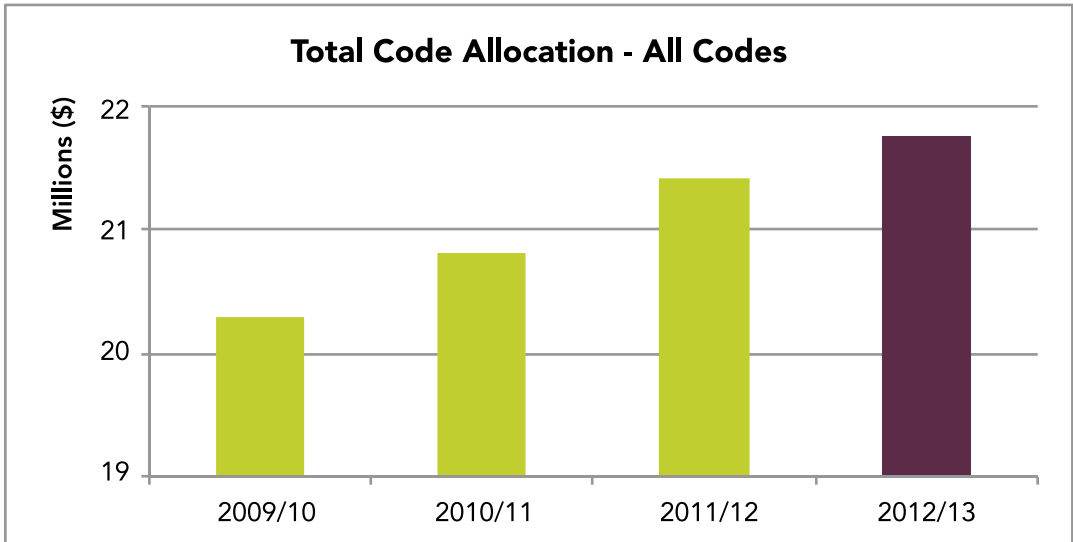
Finally, I would like to pay tribute to the many industry participants whose passion and love of racing will always ensure that we are able to preserve

the best aspects of the sport.

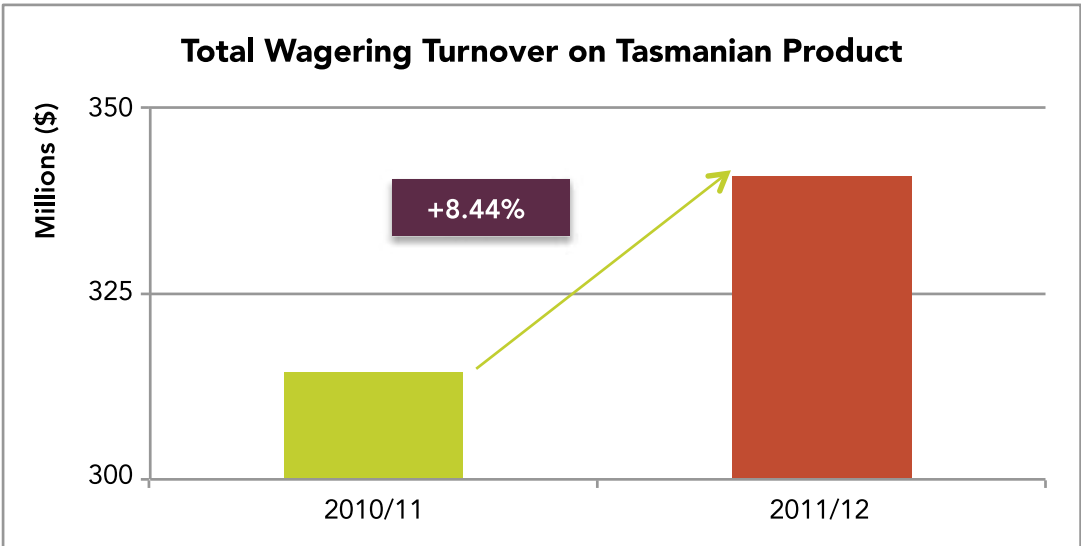
In particular during my tenure as CEO we have witnessed a positive shift between various industry groups across all three codes that are now working collaboratively with Tasracing in tackling the many challenges facing our industry.

In closing, I believe the following statement expressed by a well-known racing administrator at the turn of the century still holds true in today's environment: "If racing is to be or remain successful in these days of fierce competition then collectively we need to be much more forward looking and must be prepared to not just accept change but to actively seek change and innovation."

Gary Lottering
Chief Executive Officer



A new code funding model that recognises and rewards performance was introduced for 2011/12. The model takes account of relative costs to participants, the economic benefit of each code to the state, wagering attractiveness and funding history. Previous allocations were not linked to commercial performance and did not focus on increasing overall wagering turnover.



The increase in total wagering turnover is a result of commercial decisions taken by Tasracing and is delivering positive returns to the industry through race field fees.



BOARD OF DIRECTORS



1. Brian Speers – Chairman

Experienced insurance broker. Most recently Chairman of the Tasmanian Board of Marsh P/L International Insurance Brokers. Director of various private companies. Former committee member of the Brighton Jockey Club, former Chairman, Treasurer and Committee member of the Tasmanian Racing Club, former Deputy Chairman and Board member of the Tasmanian Thoroughbred Racing Council and former TOTE Tasmania Director.

2. Geoff Baxter

Employee, partner and Director at the North Hobart Veterinary Hospital between 1970 and 2007. Hobart Greyhound Racing Club track veterinarian since 1970. Honorary Life Member of the Australian Veterinarian Association and the Australian Greyhound Veterinarian Association. Member of the Australian Institute of Company Directors.

3. Dean Cooper

Barrister and solicitor with Tasmanian firm Ogilvie Jennings. Long-standing interest in harness racing as an

owner and administrator. Honorary Legal Counsel for Harness Racing Australia (HRA). Chairman HRA Rules Committee. Former Tasmanian Integrity and Assurance Board Chairman. Former Harness Racing Tasmania Chairman. Former TOTE Tasmania Director. Graduate of the Australian Institute of Company Directors.

4. Des Gleeson

Highly-respected administrator and steward. Former Chairman of Stewards for Victoria Racing Club. Former Director Integrity Services and Chairman of Stewards for Racing Victoria. Australian delegate at numerous Asia Racing Conferences between 1997 and 2007. Appointed to a three-man panel with Hon. Judge Barry Thorley and Hon. Ian Armstrong to appoint the Racing New South Wales Board.

5. Trevor Leis

Former veterinarian with more than 30 years' experience breeding and racing standardbred horses. Retired Chairman of United Milk Tasmania, TT-Line Company Pty Ltd and Stanley

Cool Stores. Former Director of Private Forests Tasmania. Past General Councillor Trust Bank, past Member Advisory Council Tasmania Trustees and past Fellow Australian Institute of Company Directors.

6. Tania Price

Experienced communications professional. Former Vice President Media and Communications BHP Billiton. Former Manager Public Affairs WMC Resources. Former Director with Gavin Anderson issues management consultants. Former Public Affairs Manager Tourism Victoria. Former principal press secretary / media adviser to Victorian Premier Jeff Kennett. Director of Festival of Voices.

7. Danny McCarthy

Partner of Wise, Lord & Ferguson since 1989, specialising in audit and financial consulting. Experience in economic research, financial modeling and business risk assessments. Danny is a Director of the Motor Accidents Insurance Board.



THOROUGHBRED RACING

The first full season of racing at Tapeta Park was an obvious highlight of the 2011/12 thoroughbred season.

The Tapeta Footings \$9.7 million all-weather synthetic surface at Spreyton was officially opened in September 2011.

The track surface attracted strong praise from industry stakeholders from the first day of trials.

Support for the investment continued throughout the year - the first Devonport Cup on the surface drew a capacity field, nominations for race meetings at the venue were strong and average race turnover increased by 26 per cent from the beginning to end of season.

Turnover on race meetings at Tapeta Park totaled more than \$23.5 million. This can be directly related

to robust field sizes (average of 9.7). In addition, there were 1370 starters from 1914 nominations.

It is worth noting that the strength of the wagering turnover at Tapeta Park, particularly in the second half of the financial year, played a major part in the code's strong wagering performance this year.

Importantly, the introduction of the Tapeta track provides surety for racing activity throughout the state, irrespective of weather conditions.

Tasracing negotiated with Sky Channel to switch Thursday night thoroughbred racing product on Sky 2 to Wednesday night and Sky 1, augmenting national market penetration while continuing live mounting yard coverage on Sky World and expanding international distribution to New Zealand, South

Africa, Sri Lanka and France.

Six race meetings in February and March were made available through wagering operator PMU France – four races per meeting. PMU has agreed to take more content for 2012/13 night racing.

The 2011/12 financial year also saw the first full year of operation for Tasracing's thoroughbred GPS tracking system – StrideMASTER – which captures key performance statistics for all horses in all Tasmanian races.

Race results and sectional data are collected throughout a race meeting and collated into user-friendly formats which are published weekly on the Tasracing website.

The StrideMASTER form proved to be extremely valuable and has assisted to drive significant new



visitor traffic to the Tasracing website. This exciting technology assists punters and enables owners and trainers to better understand their horse's performance.

Nearly 80 per cent of lots offered in the 2012 Magic Millions Tasmanian yearling sale were sold. While the average price was slightly depressed compared to 2011, this was offset by the high clearance rate.

Nearly 74 per cent of lots purchased were acquired by Tasmanian buyers, up from 51 per cent in 2011. Twenty four per cent of lots went to Victorian buyers and two-and-a-half per cent to buyers from New South Wales. As such, Magic Millions has indicated that it is willing to commit to further sales in Tasmania.

Both the Hobart and Launceston Cups featured high quality fields

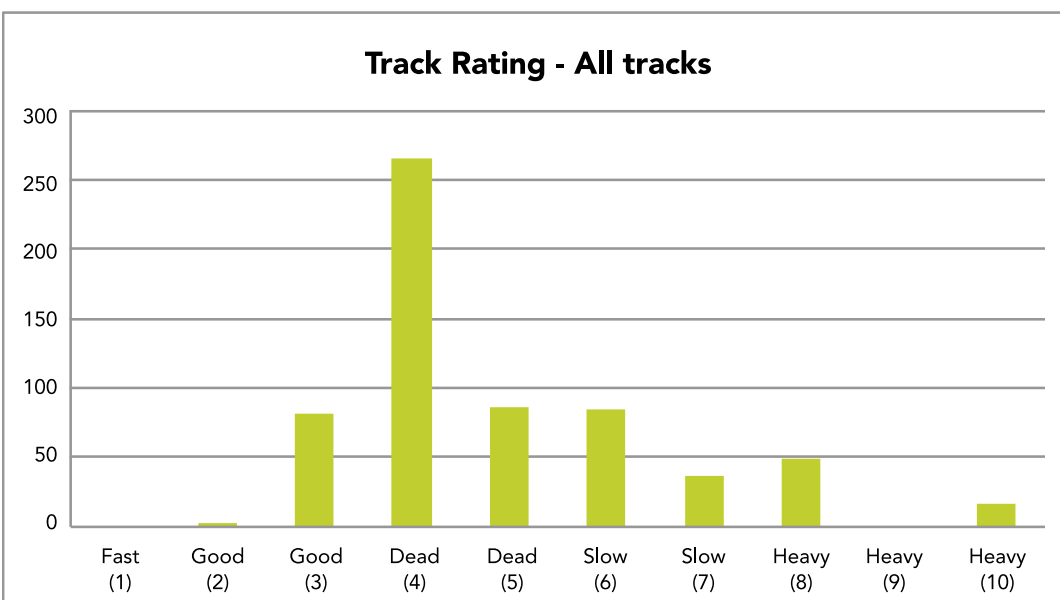
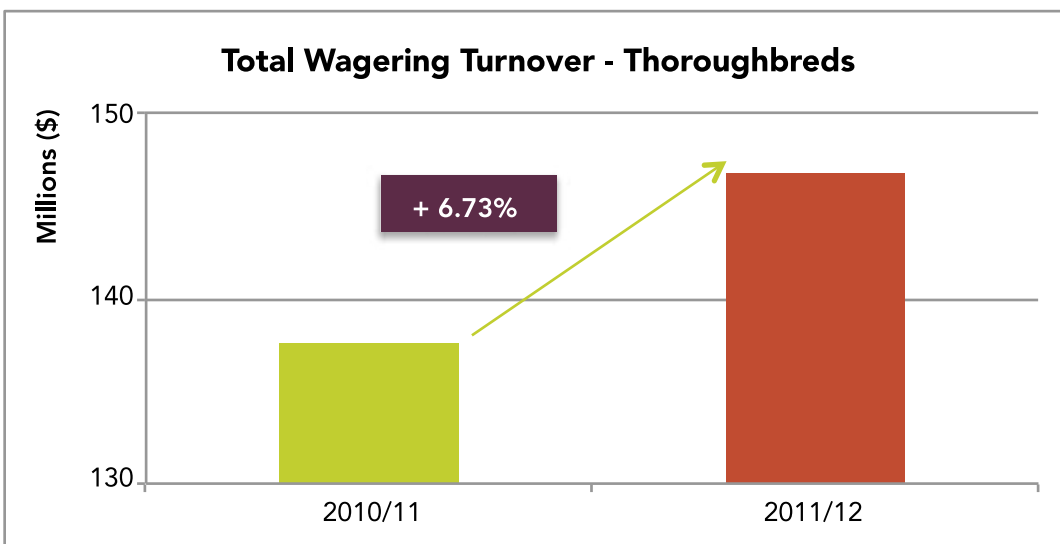
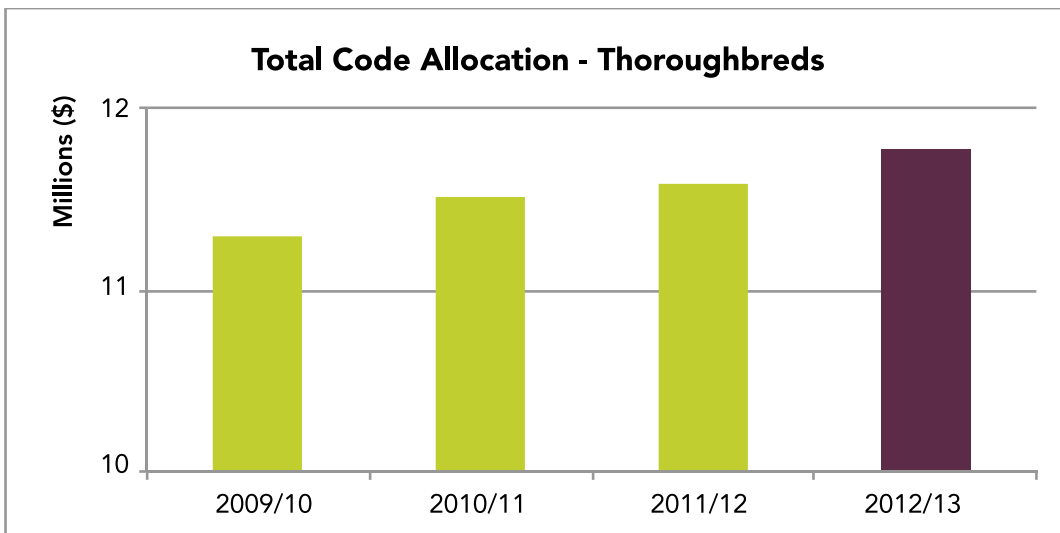
in 2012. The 2012 Hobart Cup achieved its highest Australian Pattern Committee rating (103.8) since 2000, while the Launceston Cup rating was its highest (102.5) since 2009.

In addition, the overall strength of the 2012 Tasmanian Summer Racing Carnival (TSRC) was confirmed by the Australian Pattern Committee with all Group and Listed races achieving ratings in excess of minimum benchmarks. This ensures the races will hold their black type status for the next three years.

Tasracing is also pleased to note that the realignment of AAMI Hobart Cup stakes to increase base level stakes and run an additional meeting did not impact on the quality of the fields, or the overall image of the AAMI Tasmanian Summer Racing

Carnival. The funds made available as a result of the realignment have provided a welcome addition to stakes available to owners – particularly for local owners.

While the 2012 TSRC was dominated by the performances of local stars Geegees Blackflash, Lady Lynette, Prevailing and Rebel Bride, the strategy undertaken by Tasracing to attract quality horses to the state for the carnival also paid dividends with interstate participation in the carnival remaining strong with 58 acceptors, up from 48 in 2011. Leading interstate trainers Leon MacDonald, Patrick Payne, Anthony Freedman, John McArdle, David Hayes and Danny O'Brien all recorded feature race wins.



Track statistics

Tracks are prepared with the aim to present a DEAD 4 (or DEAD 5 for Hobart's Course Proper) track on the morning of the race. While this is the aim, there are a number of limitations that may prevent this goal including weather, the particular characteristics of the track and supporting infrastructure. In many cases it is not reasonably practical to water race tracks during, or immediately prior to a race meeting.

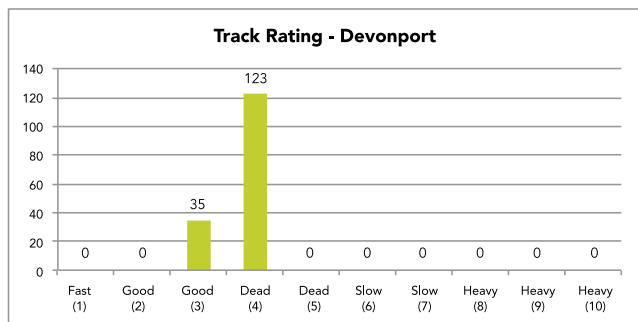
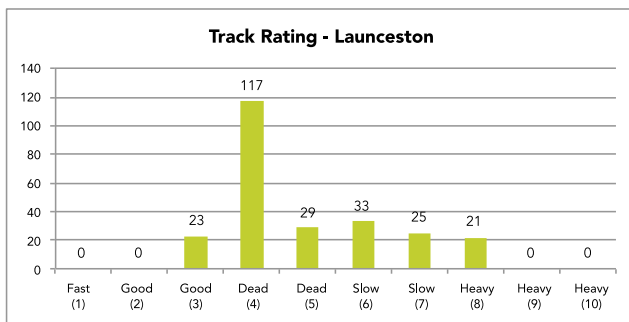
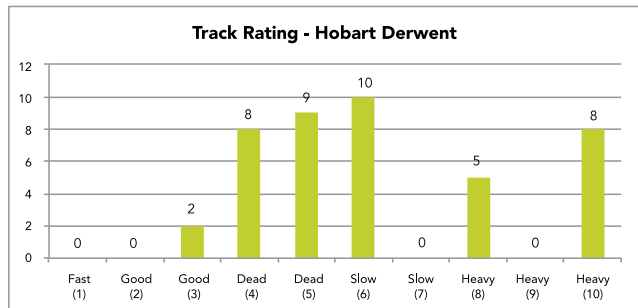
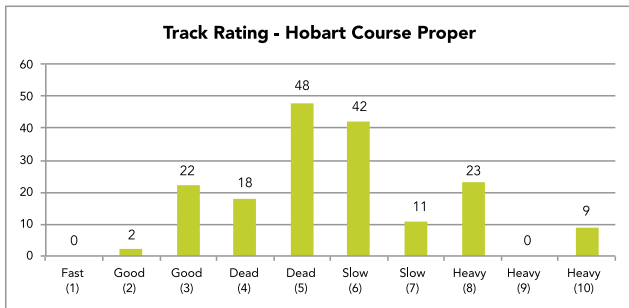
These graphs reveal that 70 per cent of Tasmanian thoroughbred races were run on tracks in the ideal range of Good 3 to Dead 5.

The rating of the Tapeta Park track was changed mid-season from Dead 4 to Good 3 to bring the ratings in line with national standards for synthetic surfaces. This involved no change to the surface itself but rather a recalibration of the rating tools. Importantly, the surface provided fair, consistent racing in all weather conditions.

The statistics for The TOTE Racing Centre's Strathayr turf track showed that it continued to perform well under all weather conditions.

The course proper at Tattersall's Park also performed well, despite the age and inconsistency of the track. Drainage works in the back straight undertaken after the AAMI Hobart Cup resulted in a significantly improved performance of the treated areas of the back straight. Further works are scheduled after the 2013 AAMI Tasmanian Summer Racing Carnival. The largest rating for the Hobart Course Proper was changed mid-season from Dead 4 to Dead 5 in consultation with industry participants.

The inside track at Tattersall's Park remains inconsistent and does not cope well with wet weather. No races were scheduled on this track after 19 March 2012, and its ongoing use will be restricted to trials where possible.





HARNESS RACING

After a realignment of \$230,000 of feature race stakes money in 2010/11, a further \$94,000 was realigned in 2011/12. The outcome has once again been important for the harness code in the state – as a result there were more races and starters, turnover increased and the harness code in Tasmania benefited from an increase in relative market share.

Races in 2011/12 totaled 778 (692 on Sky) compared to 765 (662) in 2010/11, starters increased from 7149 last financial year to 7366 this year, and while the average starters per race in 2011/12 was maintained for this reporting period (9.47 compared to 9.35) national wagering on Tasmanian harness product totaled \$64 million compared to \$60.7 million in the comparative period.

An important highlight for the harness code for 2011/12 was the

conduct of training and trials at Tapeta Park at Spreyton.

The possibility of holding harness meetings at Spreyton on a synthetic track (believed to be an Australian-first) emerged after the success of the training sessions (twice weekly), a workout and four trials. (A successful harness meeting was conducted at Tapeta Park on 25 July 2012, outside the reporting period of the 2011/12 Annual Report).

The work could not have been completed without the cooperation and support of many stakeholders – including the Devonport Racing Club, the Devonport Harness Racing Club and Racing Services Tasmania.

Industry training continued to be a focus through 2011/12. At the end of the financial year, a Recognised

Prior Learning process for all trainers, drivers and stablehands that linked formal qualifications with licensing was almost completed. It is the same process completed for thoroughbred trainers, stablehands and jockeys in July 2011. It marks an important milestone on recognising existing skills in the industry and ensures Tasmanian standards are aligned with national norms and standards.

A first for Tasmanian harness racing was achieved at the country venues of Burnie and Carrick with the telecast of a meeting each on Sky 2 earlier this year. The clubs involved assisted with costs and turnover was well above expectations.

The management of harness form to provide information free of charge to punters on www.tasracing.com.au



and www.harness.org.au was an important development in 2011/12. Just as important was the availability of Tasmanian harness race replays on the same websites. Social media was also used very effectively to increase reach to customers and build awareness and engagement with new generations of race fans.

In September 2011, Claiming Novice Driver (CND) conditions were amended to increase the number of claiming novice drivers and to extend their involvement in Tasmanian harness racing. As a result, 25 novice drivers were registered in July 2012 compared to 14 at the same time last calendar year.

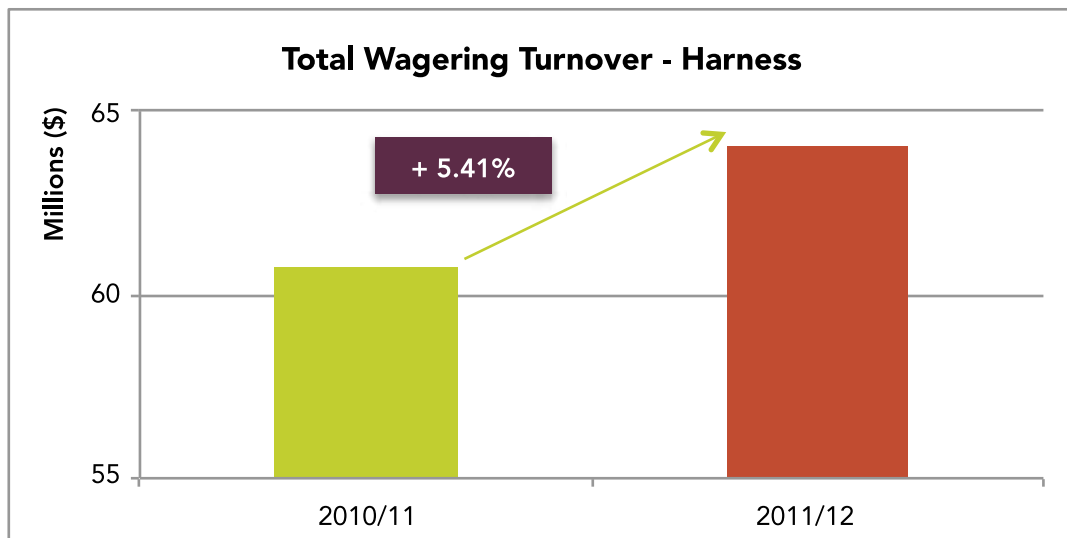
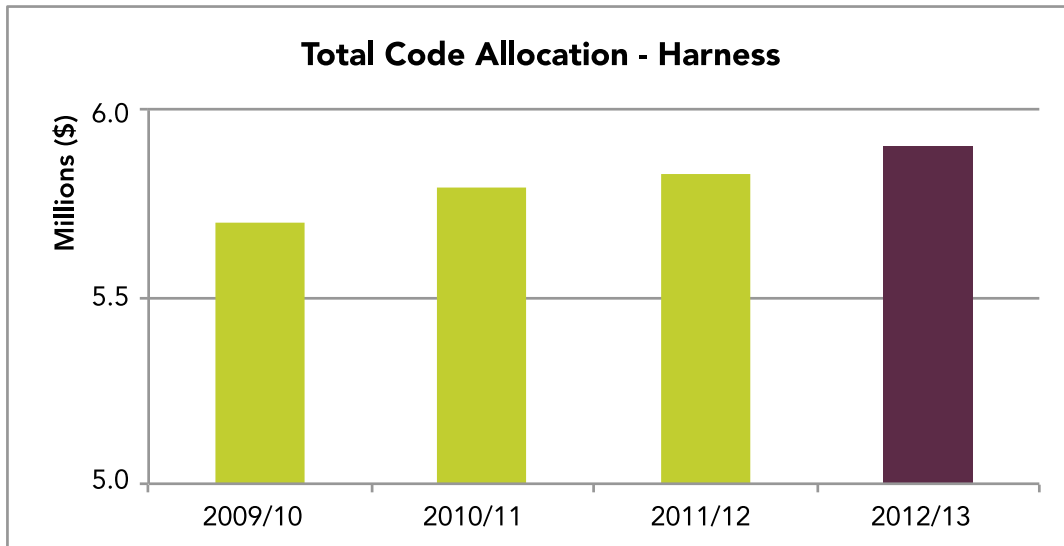
A new race series was also conducted for CNDs – the BOTRA Claiming Novice Driver series in Hobart,

Launceston and Devonport in April which was well supported and reaffirmed Tasracing's strategy to improve attractiveness and accessibility of the sport to new participants.

Tasracing continued to support harness breeders in 2011/12 through a Tasbred bonus distribution of \$246,000, abolition of foal notification fees and Tasbred series payments saving breeders more than \$50,000, allocation of \$276,000 to stakes for Tasbred heats and finals and Tasbred Breeders Coupon payments of more than \$95,000.

The support of the breeding industry was also provided through Tasracing's ongoing commitment to the Tasmanian Premier Harness Yearling Sale that was conducted

at Inveresk in January. Thirty one horses were presented for sale with a colt reaching \$10,000 and two fillies attracting bids of \$8000. The sale aggregate was \$153,600 for an average of \$4955.



After a realignment of feature race stakes money in 2011/12, there were more races and starters and turnover increased.



GREYHOUND RACING

Tasracing and the three Tasmanian greyhound clubs worked closely in 2011/12 to provide additional wagering product to boost turnover, with the ultimate benefit of increased racefield fees for the industry.

The funds were made available following the implementation of the revised code allocation model that recognised the greyhound code's consistent and strong wagering performance.

For example, the heats of the Maiden Thousand, previously conducted as non-betting trials on a Saturday morning, were successfully conducted as a twilight meeting and broadcast on Sky 2.

This success, combined with an unprecedented number of nominations, meant three additional meetings were conducted in Launceston, Devonport and Hobart in March and April.

This volume-based growth strategy, that was made possible through the code funding model, was the main determining factor behind greyhound code turnover, increasing by 12 per cent compared to the previous financial year (\$129.9 million in 2011/12 compared to \$115.9 million in 2010/11).

Race meetings held in 2011/12 (157) increased compared to the previous financial year while the number of races increased from 1567 to 1628 and the number of starters increased from 12,219 to 12,663.

During 2011/12 a number of important projects were undertaken or completed:

- Major refurbishment of the conductor rail at the Devonport Showgrounds.
- Additional lighting was installed and upgrade work undertaken on the photo finish lights in Hobart.
- Magnetic trip starts at The TOTE Racing Centre in Launceston.
- A new motor was installed on the drag lure at the Ebony Minda Straight Track at The TOTE Racing Centre in Launceston for training purposes.

The Greyhound Adoption Program (GAP) continued its success in 2011/12 with 49 greyhounds entered into the program with 30 successful adoptions. GAP was also well represented at community events throughout the year (Royal Hobart Show, Million Paws Walk and Agfest) which provide an excellent opportunity to educate the public

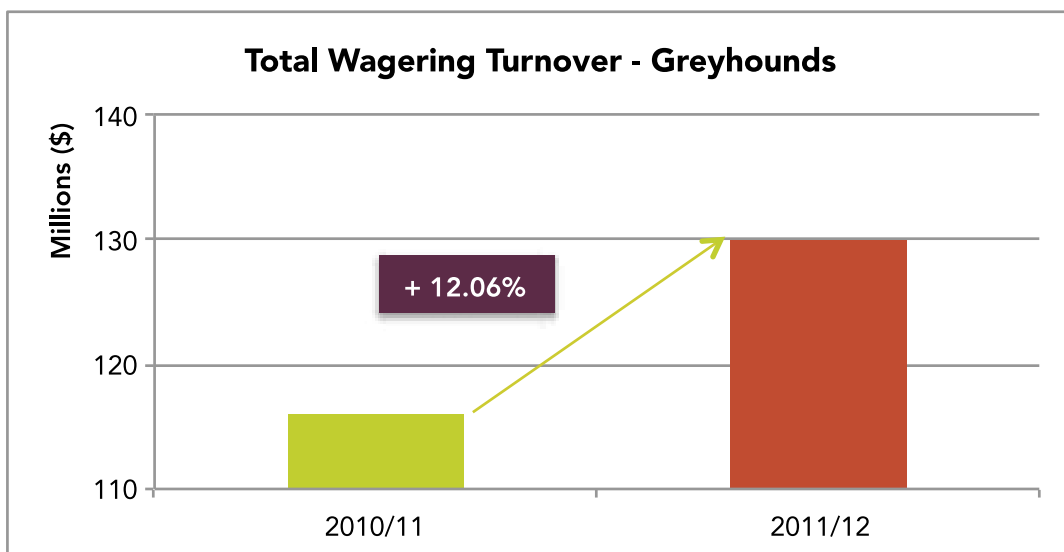
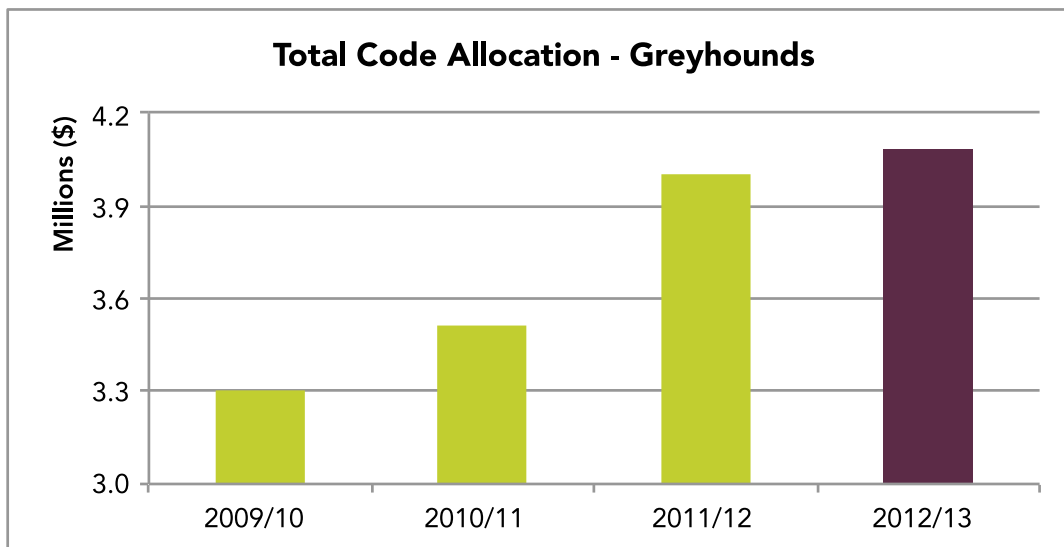
about the suitability of greyhounds as pets.

Tasracing met with representatives from the Minister for Local Government to discuss amending the Dog Control Act (2000) to enable greyhounds that have graduated from the GAP to no longer be required to wear muzzles in public places. The meeting was positive and Tasracing will continue to champion this cause to achieve a good outcome for industry.

Tasracing developed and published a combined Policy Manual for the industry which includes the policies of Tasracing, Racing Services Tasmania and Greyhounds Australasia.

This is a landmark document providing a comprehensive one-stop shop for participants and administrators.

The review process provided an opportunity for Tasracing to strengthen its animal welfare framework and to ensure the state maintains a best practice approach to this important area.



National turnover on greyhounds fell in 2010/11 compared to the previous financial year. Tasracing worked closely with code representatives to examine the performance in greater detail. A volume-based growth strategy was the main factor behind greyhound code turnover increasing by 12 per cent in 2011/12 compared to 2010/11.



Tasracing Pty Ltd

ANNUAL FINANCIAL REPORT

for the financial year ended 30 June 2012

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Tasracing Pty Ltd

FINANCIAL STATEMENTS

for the year ended 30 June 2012

Directors' Report

The directors present their report together with the financial report for the financial year ended 30 June 2012 and the independent auditor's report thereon.

Directors

The names of directors of the company in office during or since the end of the financial year are:

Brian Speers – Chairman
Geoff Baxter
Dean Cooper
Des Gleeson
Trevor Leis
Danny McCarthy
Tania Price

Principal activities

The principal activities during the course of the financial year were the administration, oversight and funding of racing in Tasmania.

Review of operations

For the year ended 30 June 2012, the company recorded a net loss before income tax of \$10,379,276 (2011 - loss of \$3,619,512) after an impairment charge of \$5,706,428 (2011 - nil). No dividends were paid to members during the year (2011 - nil). The company had no options or unissued shares during the current or previous year.

Significant changes in state of affairs during the year

The company recognised an impairment charge in the year as a result of the business model not generating sufficient cashflow, otherwise there were no significant changes in the state of the company's affairs during the year.

Environmental regulations

The company is not subject to any environmental regulations under a law of the Commonwealth or the State of Tasmania.

Subsequent events

On 6 August 2012, the company received a letter from the Minister for Racing confirming shareholder support for a package to assist the company in improving its financial position and performance. The package contains a combination of short and long term actions for the company to pursue which are currently being appraised and implemented. The aim of these measures is to provide the company with a pathway to sustainability over an appropriate timeframe.

Future developments

Disclosure of information regarding likely developments in the operations of the company in future financial years and the expected results of those operations is likely to result in

unreasonable prejudice to the company. Accordingly this information has not been disclosed in this report.

Indemnification of officers and auditors

During the financial year the company paid a premium of \$9,448.12 (2011 - \$1,423.72) in respect of directors' and officers' liability.

The company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the company against a liability incurred as such an officer or auditor.

Auditor's independence declaration

The auditor's independence declaration is included on page 51 of the financial statements.

Signed in accordance with a resolution of the Board of Directors:



Mr Brian Speers
Chairman
26 October 2012

Tasracing Pty Ltd

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2012

	Note	2012 \$	2011 As restated \$
Revenue and Other Income			
Racefield revenue	3	4,713,797	3,194,839
Government grant	3	28,697,775	27,510,000
Interest revenue		924,985	937,991
Other income	4	1,119,694	2,264,144
TOTAL Revenue and Other Income		35,456,251	33,906,973
Expenses			
Employee Benefits Expense	11	5,417,349	4,865,823
Prizemoney and Industry Funding		23,488,252	23,346,525
Depreciation and Amortisation Expense	5	2,902,123	2,603,228
Impairment	6	5,706,428	-
Finance and Leasing Costs	7	1,276,283	568,223
Raceday and Racing Expenses	8	3,915,398	3,798,750
Other Expenses	9	3,129,695	2,343,936
Total Expenses		45,835,527	37,526,485
Loss Before Tax		(10,379,276)	(3,619,512)
Income Tax Expense	12	-	-
Loss for the Year		(10,379,276)	(3,619,512)
Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(10,379,276)	(3,619,512)

This statement should be read in conjunction with the accompanying notes.

Tasracing Pty Ltd

STATEMENT OF FINANCIAL POSITION

as at 30 June 2012

	Note	2012	2011	2010
		\$	As restated \$	As restated \$
Current Assets				
Cash and Cash Equivalents	23 (a)	4,234,914	4,900,174	7,886,824
Trade and Other Receivables	13	1,839,639	1,939,565	606,633
Prepayments		304,492	368,916	267,845
Total Current Assets		6,379,045	7,208,655	8,761,302
Non-Current Assets				
Property, Plant & Equipment	14	51,732,763	53,116,741	50,851,449
Intangibles	15	-	6,099	10,979
Total Non-Current Assets		51,732,763	53,122,840	50,862,428
Total Assets		58,111,807	60,331,495	59,623,730
Current Liabilities				
Trade and Other Payables	16	1,946,638	1,886,292	1,154,308
Provisions	19	986,334	442,168	422,817
Other Financial Liabilities	17	8,471	13,134	11,471
Total Current Liabilities		2,941,443	2,341,594	1,588,596
Non-Current Liabilities				
Borrowings	18	12,247,988	4,863,835	1,500,000
Provisions	19	2,193,853	2,018,268	1,807,824
Total Non-Current Liabilities		14,441,841	6,882,103	3,307,824
Total Liabilities		17,383,285	9,223,697	4,896,420
Net Assets		40,728,522	51,107,798	54,727,310
Equity				
Contributed Equity	20	55,141,530	55,141,530	55,141,530
Accumulated Losses	21	(14,413,008)	(4,033,732)	(414,220)
Total Equity		40,728,522	51,107,798	54,727,310

This statement should be read in conjunction with the accompanying notes.

Tasracing Pty Ltd

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2012

	Note	Contributed Equity \$	Accumulated Losses \$	Total Equity \$
Balance at 30 June 2010		53,874,530	(414,220)	53,460,310
Restatement	29	1,267,000	-	1,267,000
Balance at 30 June 2010 as restated		55,141,530	(414,220)	54,727,310
Profit /(Loss) for the Year	21	-	(3,607,512)	(3,607,512)
Restatement	29	-	(12,000)	(12,000)
<i>Total Comprehensive Income for the Year</i>		-	(3,619,512)	(3,619,512)
Balance as at 30 June 2011 as restated		55,141,530	(4,033,732)	51,107,798
Profit /(Loss) for the Year	21	-	(10,379,276)	(10,379,276)
Total Comprehensive Income for the Year		-	(10,379,276)	(10,379,276)
Balance as at 30 June 2012		55,141,530	(14,413,008)	40,728,522

This statement should be read in conjunction with the accompanying notes.

Tasracing Pty Ltd

STATEMENT OF CASH FLOWS

for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Cash Flows from Operating Activities			
Receipts from Customers		35,866,545	33,903,222
Payments to Suppliers & Employees		(37,307,026)	(36,206,032)
Cash generated from Operations		(1,440,481)	(2,302,810)
Interest Received		1,461,902	930,251
Interest & Other Costs of Finance Paid		(852,361)	(130,208)
Net Cash provided by Operating Activities	23 (b)	(830,940)	(1,502,767)
Cash Flows from Investing Activities			
Proceeds from Sales of Property, Plant & Equipment		-	15,300
Payments for Property, Plant & Equipment		(7,218,473)	(4,863,018)
Net Cash used in Investing Activities		(7,218,473)	(4,847,718)
Cash Flows from Financing Activities			
Repayment of Borrowings		(133,659)	-
Proceeds from Borrowings		7,517,812	3,363,835
Net Cash provided by Financing Activities		7,384,153	3,363,835
Net Increase in Cash and Cash Equivalents		(665,260)	(2,986,650)
Cash and Cash Equivalents at the beginning of the year		4,900,174	7,886,824
Cash and Cash Equivalents at end of the year	23 (a)	4,234,914	4,900,174

This statement should be read in conjunction with the accompanying notes.

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

1. General information

Tasracing Pty Ltd (Tasracing) was incorporated on 1 July 2009 and is domiciled in Tasmania, Australia. Tasracing is a state owned company.

Tasracing was established by the Racing (Tasracing Pty Ltd) Act 2009 and is governed by the Racing Regulation Amendment Act 2008. The Principle Act is the Racing Regulation Act 2004. The responsible Minister is the Minister for Racing. Section 11 of the Racing Regulation Act 2004 sets out Tasracing's responsibilities as follows:

- 1 Developing a vision for the racing industry;
- 2 Promoting Tasmanian racing locally, nationally and internationally;
- 3 Promoting the development of an efficient and effective racing industry;
- 4 Promoting the development of an efficient and effective horse and greyhound breeding industry;
- 5 Corporate governance, strategic direction and funding;
- 6 Providing advice to the Minister and making appropriate policy recommendations for the development of racing;
- 7 Attracting sponsorship income;
- 8 Allocating race dates;
- 9 Race programming;
- 10 Developing and maintaining racing and training venues under its control;
- 11 Making (by drawing up its own local rules and by adopting Australian Rules of Racing) the Rules of Racing, having regard to the recommendations of the Director;
- 12 Setting licence and registration standards and criteria, having regard to the recommendations of the Director;
- 13 Monitoring, coordinating and setting standards, in consultation with the Director, for the training of people employed or otherwise engaged in the racing industry other than:
 - (i) Persons appointed under section 51; or
 - (ii) persons employed in that industry appointed under the State Service Act 2000;
- 14 Representing the Tasmanian racing industry on national and international controlling bodies and in national and international forums;
- 15 Publishing industry journals;
- 16 Approving, in a manner not inconsistent with the Corporations Act 2001, the operating budgets of racing clubs;
- 17 Assisting racing clubs with the promotion and marketing of major race meetings and race carnivals;
- 18 Determining a fee for race field information publication approval for each code of racing;

- 19 Developing a code of conduct to be complied with by Tasracing and its employees;
- 20 Controlling race nominations, acceptances, field selections, handicapping, barrier draws and scratchings in thoroughbred racing;
- 21 Negotiating with broadcast providers scheduling and revenue-sharing arrangements for the broadcast of Tasmanian racing, both nationally and internationally; and
- 22 Such other functions as may be conferred or imposed on it by or under this or any other Act.

Tasracing's registered office and principal place of business is **6 Goodwood Road, Glenorchy TAS 7010**

Tasracing's principal activity is the governance, administration and provision of financial services for racing in Tasmania.

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

2. Significant accounting policies

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations and comply with other requirements of law. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company comply with International Financial Reporting Standards ("IFRS"). The financial report was authorised for issue by the directors on 26 October 2012.

Basis of preparation

The financial report has been prepared on the basis of historical cost. Historical cost is based on the fair values of the consideration given in exchange for assets. All amounts are represented in Australian dollars, unless otherwise noted.

Critical accounting judgements and key sources of estimation uncertainty

In the application of Tasracing's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

Impairment review of property, plant and equipment

Estimates have been made in impairment calculations regarding forecast cash flows and discount rates. note 14 includes disclosure on key assumptions.

Defined benefit superannuation fund obligations

Various actuarial assumptions are utilised in the determination of Tasracing's defined benefit superannuation fund obligations. These assumptions are discussed in note 19 .

Employee entitlements

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at the reporting date:

- future increases in salaries and wages;
- future oncost rates; and
- experience of employee departures and periods of service.

tasBonus

The expected future bonus payments have been renewed in the context of the level of nomination fees, the bonus structure and the empirical win percentages. The provision for future payments in relation to tasBonus has increased to \$300,015 at 30 June 2012.

Adoption of New and Revised Accounting Standards

There are no new or revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position of the company. However, the following new and revised Standards and Interpretations have been adopted in the current period and have affected the disclosure in these financial statements.

The amendments to AASB 7 clarify financial instrument disclosures in relation to credit risk. The carrying amount of financial assets that would otherwise be past due or impaired, whose terms have been renegotiated, is no longer required to be disclosed. There is no financial impact.

The amendments to AASB 101 clarify the presentation of the Statements of Changes in Equity. The disaggregation of other comprehensive income reconciling the carrying amount at the beginning and the end of the period for each component of equity is no longer required. There is no financial impact.

The interest cost component in the movement of the defined benefit obligation is now classified as a finance cost and shown in note 7.

Impact of new and revised Accounting Standards yet to be applied - The following applicable Standards have been issued by the AASB and are yet to be applied:

AASB 9 Financial Instruments – This Standard supersedes AASB 139 Financial Instruments: recognition and Measurement, introducing a number of changes to accounting treatments. The Standard was re-issued in December 2010. The company has not yet determined

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

2. Significant accounting policies (cont.)

the potential financial impact of the standard.

AASB 119 Employee Benefits – This Standard supersedes AASB 119 Employee Benefits, introducing a number of changes to accounting treatments. The Standard was issued in September 2011. The company has not yet determined the application or the potential impact of the Standard.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Property, plant and equipment

Property, plant and equipment and leasehold improvements are stated at cost less accumulated depreciation, amortisation and impairment. Cost includes expenditure that is directly attributable to the acquisition or construction of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amounts of each asset over its expected useful life to its estimated residual value. Leasehold improvements are amortised over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation and amortisation methods are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The asset capitalisation threshold adopted by the company is \$1000. Assets valued at less than \$1000 are charged to the Statement of Comprehensive Income in the year of purchase (other than where they form part of a group of similar items which are material in total). The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation and amortisation:

<u>Leasehold improvements</u>	<u>Term of lease or life of asset</u>
Plant and equipment	5 to 20 years
Racecourse plant and equipment	5 to 20 years

(b) Intangible assets

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

The following useful lives are used in the calculation of amortisation:

Website and systems development	3 to 7 years
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(c) Impairment of tangible and intangible assets

At the end of each reporting period, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which it belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

2. Significant accounting policies (cont.)

assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of 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 which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit and loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(d) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as the result of a past event. It is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a

third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A provision is recognised for the discounted, future cost of the tasBonus schemes.

(e) Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of any transaction costs.

Financial assets are classified into the following specified category: 'loans and receivables'. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss.'

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market, are classified as 'loans and receivables.' Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

2. Significant accounting policies (cont.)

evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

Tasracing derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If Tasracing neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

(g) Financial liabilities and equity Instruments

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual agreement. Interest and dividends are classified as expenses or as distributions of

profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

Financial Liabilities

Financial Liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Tasracing derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

(h) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Tasracing's main source of income is in the form of government funding.

Government grants

Government grants are not recognised until there is reasonable assurance that Tasracing will comply with the conditions attached to them and the grants will be received.

Government assistance which does not have conditions attached specifically relating to the operating activities of the entity is recognised in the Comprehensive Income Statement as operating income when the grant becomes receivable and Tasracing gains control of the underlying assets.

Tasracing is funded by government appropriations provided each year, over a twenty year period and is subject to the conditions of a funding deed.

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

2. Significant accounting policies (cont.)

Rental income

Revenue from operating leases is recognised in accordance with Tasracing's accounting policy outlined in note 2(k).

Interest

Interest revenue is recognised when it is probable that the economic benefits will flow to Tasracing and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Race field information publication fees

Revenue collected from Race Field Information Publication Fees is recognised when the amount of revenue can be measured reliably.

Nomination fees for tasBonus scheme

Nomination fees for tasBonus schemes are deferred on receipt and recognised in the income statement as races nominated under the scheme are scheduled and run.

(i) Borrowing costs

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Borrowing costs are recognised in profit and loss in the period in which they are incurred.

(j) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits

which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by Tasracing in respect of services provided by employees up to reporting date.

Classification of employee benefits

An employee benefit liability is classified as a current liability if there is no unconditional right to defer settlement of the liability for at least 12 months after the end of the period. This would include all annual leave and unconditional long service leave entitlements.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

Defined benefit plans

For defined benefit superannuation plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised in full in profit or loss in the period in which they occur.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The defined benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation, adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of the plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

(k) Leasing

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Tasracing as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

2. Significant accounting policies (cont.)

recognised as income in a manner consistent with the basis on which they are determined. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Tasracing as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(l) Income tax equivalent

Tasracing as a state owned company is registered under the National Tax Equivalent Regime. Income tax expense represents the sum of the tax currently payable and deferred tax.

On 10 June the Government proposed the future reduction in the Company tax rate from 30% to 29%. No impact has been recognised and no adjustments have been made to the Deferred Tax balances at 30 June 2011 for the proposed tax rate change.

(m) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to,

the taxation authority is included as part of receivables or payables. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

(n) Events after balance date

On 6 August 2012, the company received a letter from the Minister for Racing confirming shareholder support for a package to assist the company in improving its financial position and performance. The package contains a combination of short and long term actions for the company to pursue which are currently being appraised and implemented. The aim of these measures is to provide the company with a pathway to sustainability over an appropriate timeframe.

Subsequent to 30 June 2012, one share registered to the Minister for Racing was transferred to the Treasurer.

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

3. Revenue	2012	2011
	\$	\$
Race Field Information Publication Fees	4,713,797	3,194,839
Government grant	28,697,775	27,510,000
	33,411,572	30,704,839

Race Field Information Publication Fees

The Racing Regulations Act (2004) was enacted on 1 April 2011 permitting Tasracing to charge a fee to wagering operators for the publication and use of Tasmanian Race field information. The legislation was backdated to 1 November 2010.

4. Other Income

Other income from operating activities includes:

Rental Income	257,674	839,886
Sponsorship Income	398,818	543,521
Other Income	463,202	880,736
	1,119,694	2,264,144

5. Depreciation & Amortisation Expense

Depreciation of Non-Current Assets:

Plant & Equipment	440,027	504,226
	440,027	504,226

Amortisation of Non-Current Assets:

Racecourse Leasehold Improvements	2,457,217	2,094,122
Intangibles	4,880	4,880
	2,462,096	2,099,002
	2,902,123	2,603,228

6. Impairment Expense

Impairment of Non-Current Assets

Intangibles	1,220	-
Racecourse Leasehold Improvements	5,705,208	-
	5,706,428	-

7. Finance and Leasing Costs

Finance Costs

Interest Cost in Relation to Defined Benefit Obligation (see Note 19)	119,000	107,000
Interest Expense	852,361	130,207
	971,361	237,207

Leasing Costs

Occupancy Lease Rentals	159,808	201,434
Motor Vehicle Lease Rentals	95,947	86,937
Plant & Equipment Lease Rentals	49,167	42,645
	304,922	331,016
	1,276,283	568,223

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

8. Raceday and Racing Expenses	2012	2011
	\$	\$
Training and racing facilities	2,600,297	2,638,525
Race day & other racing expenses	1,315,101	1,160,225
	3,915,398	3,798,750

9. Other Expenses

Insurance	1,676,765	317,407
Administration	872,229	781,624
Marketing	404,229	779,491
Other	176,473	465,414
	3,129,695	2,343,936

10. Remuneration of Auditors

Auditing the accounts (i)

(i) The auditor is the Tasmanian Audit Office	33,840	32,850
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11. Employee Benefit Expense

Wages and salaries	4,267,657	3,728,672
Other associated personnel expenses	442,820	600,430
Contributions to defined contribution superannuation funds	398,101	354,788
Increase in liability for defined benefit superannuation funds	67,000	89,000
Increase in liability for annual leave	22,101	38,058
Increase in liability for long service leave	219,670	54,874
	5,417,349	4,865,823

12. Income Tax Expense

Tax expense comprises:

Current tax expense/(income) in respect of the current year	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	-	-
Total tax expense/(revenue) relating to continuing operations	-	-

The expense for the year can be reconciled to the accounting profit as follows:

Profit/(loss) from continuing operations	(10,379,276)	(3,619,512)
Income tax equivalent expense calculated at 30%	(3,113,783)	(1,085,854)
Effect of expenses that are not deductible in determining taxable profit	4,169	6,044
Effect of concessions and other allowances	-	-
Current income tax benefit not recognised in profit or loss	3,109,613	1,079,810
Current income tax expense/(income) in respect of the current year	-	-

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Deferred tax balances

Deferred tax assets not recognised

Deferred tax assets not recognised at the reporting date:

Tax losses (revenue)	1,983,318	971,865
Temporary differences	5,397,590	3,245,469
	<u>7,380,908</u>	<u>4,217,333</u>

(i) Deferred tax assets are not recognised as it is currently anticipated that future taxable profits will not be available to offset existing temporary differences

Deferred tax balances

	Opening balance	Not recognised in profit and loss	Recognised directly in equity	Closing balance
2011	\$	\$	\$	\$
<i>Temporary differences</i>				
Property, plant and equipment	1,786,044	331,396		2,117,440
Employee entitlements	1,049,292	65,338		1,114,631
Impairment	6,664	2,984		9,648
Accrued audit fees	-	3,750		3,750
	<u>2,842,001</u>	<u>403,468</u>	-	<u>3,245,469</u>
<i>Unused tax losses and credits</i>				
Tax losses	299,122	672,743		971,865
	<u>3,141,123</u>	<u>1,076,211</u>	-	<u>4,217,333</u>

Deferred tax balances

	Opening balance	Not recognised in profit and loss	Recognised directly in equity	Closing balance
2012	\$	\$	\$	\$
<i>Temporary differences</i>				
Property, plant and equipment	2,117,440	304,161		2,421,601
Employee entitlements	1,114,631	125,921		1,240,552
Impairment	9,648	1,719,166		1,728,814
Accrued audit fees	3,750	2,873		6,623
	<u>3,245,469</u>	<u>2,152,121</u>	-	<u>5,397,590</u>
<i>Unused tax losses and credits</i>				
Tax losses	971,865	1,011,453		1,983,318
	<u>4,217,334</u>	<u>3,163,574</u>	-	<u>7,380,908</u>

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

	2012 \$	2011 \$	2010 \$
13. Trade and Other Receivables			
Trade Receivables (i)	1,879,102	1,951,079	615,943
Provision for Impairment	(56,279)	(32,154)	(22,210)
	<u>1,822,824</u>	<u>1,918,925</u>	<u>593,733</u>
Interest Receivable	16,815	20,641	12,900
	<u>1,839,639</u>	<u>1,939,565</u>	<u>606,633</u>

(i) For receivables the average credit period on these items is 30 days with a large number of smaller debtors reducing the risk. No interest is charged on receivables. A provision for impairment has been made for estimated irrecoverable trade receivable amounts arising from past transactions, determined by reference to past default experience.

Ageing of past due but not impaired

30-60 Days	4,700	85,499	83,108
60-90 Days	183,681	17,498	1,422
90-120 Days	2,574	14,503	5,246
120+ Days	37,186	57,933	86,104

Included in the trade receivables balance are debtors with a carrying amount of \$228,141 (30 June 2011: \$175,433) which are past due at the reporting date which the company has not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable. Tasracing does not hold any collateral over these balances.

Movement in the allowance for impaired debts

Opening balance	(32,154)	(22,210)	(13,435)
Impairment losses recognised on receivables	(49,333)	(15,000)	(8,775)
Amounts recovered during the year	-	-	-
Amounts written off as uncollectable	25,209	5,056	-
Balance at end of year	<u>(56,279)</u>	<u>(32,154)</u>	<u>(22,210)</u>

Ageing of impaired trade receivables

30-60 Days	-	-	(978)
60-90 Days	-	-	(978)
90-120 Days	-	-	(978)
120+ Days	(56,279)	(32,154)	(19,276)

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

14. Property, Plant and Equipment

	Racecourse Leasehold Improvements \$	Plant & Equipment \$	Property Under Construction \$	TOTAL \$
Gross Carrying Amount				
Balance as at 30 June 2009	-	-	-	-
Amounts transferred as at 1 July 2009	44,669,687	1,664,100	-	46,333,787
Additions	5,932,112	758,211	126,689	6,817,012
Disposals	-	(60,202)	-	(60,202)
Reclassification	(232,355)	-	232,355	-
Balance as at 30 June 2010	50,369,444	2,362,109	359,044	53,090,597
Additions	609,982	339,834	3,914,201	4,864,017
Disposals	-	(24,249)	-	(24,249)
Balance as at 30 June 2011	50,979,426	2,677,694	4,273,245	57,930,365
Additions	808,902	251,831	6,157,740	7,218,474
Disposals	-	-	-	-
Reclassification	9,715,663	-	(9,715,663)	-
Balance as at 30 June 2012	61,503,991	2,929,526	715,322	65,148,839
Accumulated Depreciation / Amortisation				
Balance as at 30 June 2009	-	-	-	-
Depreciation & Amortisation	1,813,486	468,415	-	2,281,901
Disposals	-	(42,753)	-	(42,753)
Balance as at 30 June 2010	1,813,486	425,662	-	2,239,148
Depreciation & Amortisation	2,094,122	504,226	-	2,598,348
Disposals	-	(23,871)	-	(23,871)
Balance as at 30 June 2011	3,907,608	906,016	-	4,813,624
Depreciation & Amortisation	2,457,217	440,027	-	2,897,244
Impairment	5,705,208	-	-	5,705,208
Balance as at 30 June 2012	12,070,033	1,346,043	-	13,416,076
Net Book Value				
As at 30 June 2010	48,555,958	1,936,447	359,044	50,851,449
As at 30 June 2011	47,071,818	1,771,678	4,273,245	53,116,741
As at 30 June 2012	49,433,958	1,583,482	715,322	51,732,763

Impairment Review

Tasracing has experienced several indicators of impairment including continued losses and negative operating cash flows. An impairment calculation has been performed based on the Corporate Plan 2013-2017 which incorporated elements of the package referred to in note 2(n). The impairment calculation demonstrated that non-current assets were impaired by \$5,706,428. The impairment was first applied to the intangible assets and subsequently to the tangible assets. The company has one cash generating unit comprising the racing and training venues. The discount rate used was 10.6%. The terminal value of the cash flow in the final year of the forecast was derived using a perpetuity rate of 9.4%.

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

15. Intangibles

	Computer Software \$
Gross Carrying Amount	
Balance as at 30 June 2009, 2010, 2011 and 2012	14,639
Accumulated Amortisation	
Balance as at 30 June 2009	-
Amortisation	3,660
Balance as at 30 June 2010	3,660
Amortisation	4,879
Balance as at 30 June 2011	8,539
Amortisation	4,880
Impairment	1,220
Balance as at 30 June 2012	14,639
Net Book Value	
As at 30 June 2010	10,979
As at 30 June 2011	6,100
As at 30 June 2012	-

	2012 \$	2011 \$	2010 \$
16. Trade & Other Payables			
- Trade Payables - unsecured (i)	1,946,638	1,886,292	1,154,308

(i) The company has financial risk management policies in place to ensure that all payables are paid within credit timeframes

17. Other Financial Liabilities

- Bonds on Deposit	8,471	6,650	4,987
- Racing Industry Funds	-	6,484	6,484
	8,471	13,134	11,471

18. Borrowings

This note provides information about the contractual terms of Tasracing's interest bearing loans and borrowings. For more information about the entity's exposure to interest rate risk, see note 24.

Loan	(i) 2,996,340	3,130,000	1,500,000
Bond	(ii) 9,000,000	-	-
Overnight deposit	(iii) 251,648	1,733,835	-
Unsecured - at amortised cost	12,247,988	4,863,835	1,500,000

All loans are transacted through the Tasmanian Public Finance Corporation (Tascorp). All borrowings are unsecured.

The funding deed provides that the State Government will provide debt support in the form of principal and interest repayments subject to the conditions of the deed. This support applies to the bond and the overnight deposit.

- (i) Loan - principal and interest is payable every 6 months until a bullet repayment of \$2.46m on 30 June 2016. Interest is fixed at 5.99% per annum.
- (ii) Bond - A bond of \$9m was procured during the year at a fixed interest rate of 4.92% maturing at 30 June 2013 at which point these borrowings will be transferred to a long term facility.
- (iii) Overnight deposit - borrowings are held on overnight deposit at floating interest rates.

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

	2012 \$	2011 \$	2010 \$
19. Provisions		As restated	As restated
Current:			
Annual leave	308,428	279,758	273,203
Long service leave	277,891	129,410	98,614
Defined benefit liability	100,000	33,000	51,000
tasBonus scheme	300,015	-	-
	<u>986,334</u>	<u>442,168</u>	<u>422,817</u>
Non-Current:			
Long service leave	128,853	49,268	32,824
Defined benefit liability	2,065,000	1,969,000	1,775,000
	<u>2,193,853</u>	<u>2,018,268</u>	<u>1,807,824</u>
Total provisions	<u>3,180,187</u>	<u>2,460,436</u>	<u>2,230,641</u>

Employee Benefit Disclosures

Liability for Defined Benefit Obligation

Tasracing makes contributions to one defined benefit plan that provides pension benefits for employees upon retirement.

Actuarial gains and losses are recognised immediately in profit and loss in the year in which they occur. Defined benefit members receive lump sum benefits on resignation, and lump sum or pension benefits on retirement, death or invalidity. The defined benefit section of RBF is closed to new members. All new members receive accumulation only benefits.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Dr David Knox, Fellow of the Institute of Actuaries of Australia.

	2012 \$	2011 \$	2010 \$
Reconciliation of the Defined Benefit Obligation			
Present value of defined benefit obligations at beginning of the year	2,222,000	2,027,000	1,615,000
Current service cost	44,000	41,000	43,000
Interest cost	120,000	107,000	170,000
Estimated contributions by plan participants	4,000	3,000	11,000
Actuarial gains/losses	88,000	99,000	276,000
Estimated benefits paid	(48,000)	(54,000)	(85,000)
Estimated taxes, premiums & expenses paid	(1,000)	(1,000)	(3,000)
Present value of defined benefit obligations at end of the year	<u>2,429,000</u>	<u>2,222,000</u>	<u>2,027,000</u>

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

	2012	2011	2010
	\$	\$	\$
Reconciliation of the Fair Value of Scheme Assets			
Fair value of plan assets at the beginning of the year	220,000	201,000	218,000
Expected return on plan assets	15,000	13,000	24,000
Actuarial gains/losses	50,000	38,000	(23,000)
Estimated employer contributions	24,000	20,000	59,000
Estimated contributions by plan participants	4,000	3,000	11,000
Estimated benefits paid	(48,000)	(54,000)	(85,000)
Estimated taxes, premiums & expenses paid	(1,000)	(1,000)	(3,000)
Fair value of plan assets at the end of the year	264,000	220,000	201,000

	2012	2011	2010
	\$	\$	\$
Reconciliation of the Assets and Liabilities Recognised in the Statement of Financial Position			
Defined benefit obligation	2,429,000	2,222,000	2,027,000
Fair value of plan assets	(264,000)	(220,000)	(200,000)
Net superannuation liability/(asset)	2,165,000	2,002,000	1,827,000
Current net liability	100,000	33,000	51,000
Non-current net liability	2,065,000	1,969,000	1,775,000

Expenses recognised in the Statement of Comprehensive Income

Service cost	44,000	41,000
Expected return on assets	(15,000)	(13,000)
Actuarial gain/loss	38,000	60,000
Superannuation expense/(income)	67,000	88,000
Interest cost	119,000	107,000

Expenses are included in Employee Benefits Expense at note 11 with the exception of the Interest Cost which is included in note 7 Finance and Leasing Costs.

The major categories of fund assets as a percentage of total fund assets are as follows:

Australian equities	29%	25%	26%
Overseas equities	18%	22%	22%
Fixed income	12%	13%	12%
Property, infrastructure and other alternative assets	33%	19%	20%
Alternatives/Other	5%	18%	14%
Cash	3%	3%	6%

Principal actuarial assumptions at the Statement of Financial Position Date

Discount Rate	3.45%	5.50%	5.35%
Expected rate of return on plan assets	7.50%	7.50%	7.00%
Expected salary increase rate	3.50%	4.50%	4.50%
Expected rate of increase compulsory preserved amounts	3.75%	4.50%	4.50%
Expected pension increase rate	2.50%	2.50%	2.50%

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

	2012	2011	2010
	\$	\$	\$
Historical Information			
Present value of defined benefit obligation	2,429,000	2,222,000	2,027,000
Fair value of plan assets	264,000	220,000	200,000
Surplus/(deficit) in plan	(2,165,000)	(2,002,000)	(1,827,000)
Experience adjustments (gain)/loss - plan assets	(51,000)	(38,000)	161,000
Experience adjustments (gain)/loss - plan liabilities	(397,000)	179,000	(1,226,000)

	\$	\$
Defined Contribution Plans		
Contributions to defined contribution plans	398,101	354,788

	2012	2011	2010
	\$	\$	\$
20. Issued Capital			
Fully paid shares (30 June 2012 and 30 June 2011: 2)	55,141,530	55,141,530	53,874,530
Restatement	-	-	1,267,000
Fully paid shares as restated (30 June 2012 and 30 June 2011: 2)	55,141,530	55,141,530	55,141,530

Tasracing is a state-owned company. The company's share capital is held on behalf of the State of Tasmania by the Minister for Racing and the Treasurer.

Subsequent to 30 June 2012, one share registered to the Minister for Racing was transferred to the Treasurer.

	2012	2011	2010
	\$	As restated \$	As restated \$
21. Accumulated Losses			
Balance at the beginning of the year as restated	(4,033,732)	(414,220)	-
Net Profit/Loss	(10,379,276)	(3,607,512)	(414,220)
Restatement	-	(12,000)	-
Net Profit/Loss as restated	(10,379,276)	(3,619,512)	(414,220)
Balance at the end of the year	(14,413,008)	(4,033,732)	(414,220)

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

	2012 \$	2011 \$
22. Expenditure Commitments		
(i) Lease Commitments		
Commitments relate to property, plant & equipment with terms between 1 and 5 years.		
The company does not have the option to purchase assets at the expiry of the lease period.		
Non-cancellable operating lease commitments were in place as follows:		
- not later than 1 year	193,143	212,100
- later than 1 year but not later than 5 years	298,095	298,106
- later than 5 years	430,436	426,112
Current leases in place are for IT equipment, motor vehicle fleet and leasehold properties and race tracks.	921,675	936,318
(ii) Capital Expenditure Commitments		
Leasehold improvements		
Contractual commitments for the acquisition of property, plant & equipment:		
- not later than one year	-	4,397,946
(iii) Other Contractual Commitments		
Non-cancellable contracts payable:		
- not later than one year	138,451	310,883
- later than 1 year but not later than 5 years	69,319	409,107
- later than 5 years	-	-
Commitments in place are for general property maintenance service agreements.	207,770	719,990
23. Cash Flow		
(a) Cash and Cash Equivalents		
Cash on Hand and Balances with Banks	4,234,914	4,900,174
(b) Reconciliation of Profit for the Year to net Cash Flows from Operating Activities		
Loss for the Year	(10,379,276)	(3,607,512)
Adjustments for:		
Depreciation & Amortisation	2,902,123	2,603,228
Impairment	5,706,428	-
Profit on Sale of Assets	-	(15,922)
Operating profit before changes in working capital and provisions, net of effects from transfer of assets:	(1,770,725)	(1,020,207)
- (increase)/decrease in Receivables	8,926	(1,332,931)
- (increase)/decrease in Prepayments	605,934	(101,071)
- increase/(decrease) in Creditors & Accruals	(45,604)	731,984
- increase/(decrease) in Provisions	375,192	217,794
- increase/(decrease) in Other Current Liabilities	(4,663)	1,663
Net cash from operating activities	(830,940)	(1,502,768)

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

	2012	2011
	\$	\$
(c) Financing Facilities		
Credit and stand by arrangements		
Business Cards		
- amount used	62,000	71,000
- amount unused	48,000	39,000
Facility Limit	110,000	110,000
Tascorp borrowing facilities		
- amount used	12,247,988	4,863,835
- amount unused	30,748,353	38,266,165
Facility Limit	42,996,341	43,130,000

24. Economic Dependency

A significant proportion of Tasracing's revenue is dependent on a 20 year funding deed with the State government which provides base funding of \$28M per annum plus CPI less 1% over the 20 years. In addition, the deed allows for a \$40M debt facility with Tascorp of which Treasury will provide servicing in the form of principal and interest repayments, subject to certain conditions.

25. Financial Instruments

(a) Capital risk management

Tasracing manages its capital to ensure that it will be able to continue as a going concern through the optimisation of the debt and equity balance.

The capital structure of Tasracing consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to equity holders of the entity, comprising contributed equity and retained earnings as disclosed in notes 20 and 22 respectively.

Tasracing's policy is to endeavour to fund current and future activities through adequately maintained cash reserves. Where required the company borrows through the Tasmanian Public Finance Corporation, Tascorp.

(b) Categories of financial instruments

	2012	2011	2010
	\$	\$	\$
Financial Assets			
Cash and cash equivalents	4,234,914	4,900,174	7,886,824
Loans & Receivables	1,839,639	1,939,565	606,633
Financial Liabilities			
Amortised Cost			
- Trade and Other Payables	1,955,109	1,899,426	1,165,779
- Borrowings	12,247,988	4,863,835	1,500,000

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Estimation of fair values

The Directors consider that the carrying values of financial assets and liabilities approximate their fair values. The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table:

(i) Borrowings

Fair value is calculated based on discounted expected future principle and interest cash flows.

(ii) Trade and other receivables / payables

For receivables / payables with a remaining life of less than one year, the nominal amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value.

Financial risk management objectives

Tasracing has exposure to the following risks from the use of financial instruments:

(i) Interest rate risk

(ii) Credit risk, and

(iii) Liquidity risk.

(c) Interest rate risk management

Interest rate risk is limited to movements in "at call" and "short term fixed" interest rates on investments. The majority of Tasracing's borrowings are at fixed rates of interest.

Interest rate sensitivity analysis

	Impact on Profit/Loss		Impact on Equity	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
	\$	\$	\$	\$
30-Jun-12	140,004	(140,004)	140,004	(140,004)
30-Jun-11	8,852	(8,852)	8,852	(8,852)

(d) Credit risk management

Credit risk represents the loss that would be recognised if debtors failed to meet their obligations under a contract or arrangement. The major exposure to credit risk arises from receivables. Tasracing has a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk.

The average credit period on these items is 30 days with a large number of smaller debtors reducing the risk.

No interest is charged on receivables. An allowance has been made for estimated irrecoverable trade receivable amounts arising from past transactions, determined by reference to past default experience. Further details are disclosed in note 13.

(e) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of Tasracing's short, medium and long term funding and liquidity management requirements. Tasracing manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows.

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

The table below shows the contractual maturities of financial liabilities and expected maturities of financial assets

	< 1 year	1-2 years	2-5 years	> 5 years	TOTAL	Weighted Average Effective Interest Rate
	\$		\$	\$	\$	
30 June 2012						
Financial Assets						
Cash and cash equivalents	4,234,914	-	-	-	4,234,914	3.49%
Trade & Other Receivables	1,839,639	-	-	-	1,839,639	-
Total Financial Assets	6,074,553	-	-	-	6,074,553	3.49%
Financial Liabilities						
Other financial liabilities	1,955,109	-	-	-	1,955,109	-
Borrowings	141,784	150,405	2,704,151	9,251,648	12,247,988	5.18%
Total Financial Liabilities	2,096,893	150,405	2,704,151	9,251,648	14,203,097	5.18%

	< 1 year	1-2 years	2-5 years	> 5 years	TOTAL	Weighted Average Effective Interest Rate
	\$		\$	\$	\$	
30 June 2011						
Financial Assets						
Cash and cash equivalents	4,900,174	-	-	-	4,900,174	3.44%
Trade & Other Receivables	1,939,565	-	-	-	1,939,565	-
Total Financial Assets	6,839,739	-	-	-	6,839,739	3.44%
Financial Liabilities						
Other financial liabilities	1,899,426	-	-	-	1,899,426	-
Borrowings	-	-	4,863,835	-	4,863,835	5.75%
Total Financial Liabilities	1,899,426	-	4,863,835	-	6,763,261	5.75%

	< 1 year	1-2 years	2-5 years	> 5 years	TOTAL	Weighted Average Effective Interest Rate
	\$		\$	\$	\$	
30 June 2010						
Financial Assets						
Cash and cash equivalents	7,886,824	-	-	-	7,886,824	4.00%
Trade & other receivables	606,633	-	-	-	606,633	-
Total Financial Assets	8,493,457	-	-	-	8,493,457	4.00%
Financial Liabilities						
Other financial liabilities	1,165,779	-	-	-	1,165,779	-
Borrowings	-	1,500,000	-	-	1,500,000	7.00%
Total Financial Liabilities	1,165,779	1,500,000	-	-	2,665,779	7.00%

	2012	2011
	\$	\$
(f) Financing Facilities		
Unsecured Interest Bearing Loans		
- amount used	12,247,988	4,863,835
- amount unused	30,748,352	39,950,732
	42,996,340	44,814,568

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

26. Key Management Personnel Compensation

Key Management Personnel

Tasracing's remuneration policy has been designed to align key management personnel objectives with business objectives by providing a fixed remuneration component and offering specific incentives based on key performance areas where applicable. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company, as well as create goal congruence between directors, executives, shareholders and other key stakeholders.

The Board's policy for determining the nature and amount of remuneration for the Company's key management personnel is as follows:

- Remuneration is approved by the remuneration committee and then approved by the Board after professional advice is sought from independent external consultants.
- All key management personnel receive a base salary (which is based on factors such as position, competency, length of service and experience), superannuation and other benefits.
- Performance incentives (if applicable) are generally only paid once predetermined key performance indicators have been met.
- The remuneration committee reviews key management personnel packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors.

Consistent with legislated requirements, key management personnel receive a superannuation guarantee contribution, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed.

Non-executive Directors

The Board's policy is to remunerate non-executive directors in accordance with guidelines and sizing statements provided by The Department of Treasury and Finance and Department of Premier and Cabinet respectively.

Remuneration Details for the Year Ended 30 June 2012

The key management personnel of Tasracing Pty Ltd during the year were:

Board of Directors

- B. Speers (Chairman, non-executive director)
- D. Gleeson (non-executive director)
- D. Cooper (non-executive director)
- G. Baxter (non-executive director)
- T. Leis (non-executive director)
- T. Price (non-executive director)
- D. McCarthy (non-executive director) (appointed November 2010)

Executive management

- G. Lottering (Chief Executive Officer)
- D. Bones (Chief Financial Officer) (resigned September 2011)
- E. Forbes (Chief Operating Officer) (appointed July 2010)
- C. Brookwell (Chief Financial Officer) (appointed August 2011)

Subsequent to 30 June 2012, G. Lottering resigned as CEO being replaced by E. Forbes in August 2012.

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

The Executive Management of Tasracing Pty Ltd for the Year Ended 30 June 2011 were:

- G.Lottering (Chief Executive Officer)
- D.Bones (Chief Financial Officer)
- E. Forbes (Chief Operating Officer)

During 2012, the Executive Management team comprised of three roles (2011 - 4 roles).

Table of Benefits and Payments for the Year Ended 30 June 2012

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	Short-term benefits			Post-employment benefits		Long-term benefits		Total
	Salary, fees and leave	Profit share and bonuses	Other	Pension and superannuation	Other	Incentive plans	LSL	
	\$	\$	\$	\$	\$	\$	\$	
Non-executive Directors	213,040	-	-	16,591	-	-	-	229,631
Executive Management	530,804	17,904	9,974	42,679	-	-	53,966	655,327

Table of Benefits and Payments for the Year Ended 30 June 2011

	Short-term benefits			Post-employment benefits		Long-term benefits		Total
	Salary, fees and leave	Profit share and bonuses	Other	Pension and superannuation	Other	Incentive plans	LSL	
	\$	\$	\$	\$	\$	\$	\$	
Non-executive Directors	209,653	-	-	18,792	-	-	-	228,445
Executive Management	507,071	17,225	19,651	43,427	-	-	12,104	599,478

27. Related party disclosures

(a) Key management personnel compensation

Details of key management personnel compensation are disclosed in note 26 of the financial statements

(b) Transactions with key management personnel

All transactions with key management personnel, including the payment of prizes, including payments to syndicates, were conducted on an arm's length basis in the ordinary course of business and on commercial terms and conditions.

28. Transactions or Balances Relating to a Trustee or Agency arrangement

Account	Opening Balance	Net Transactions during 2011/12	Closing Balance
	\$	\$	\$
Tasmanian Perpetual Trustees - Apprentice Trust Accounts	69,248	71,171	140,419

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

29. Restatement

The financial statements for Tasracing Pty Limited for the year ended 30 June 2011 presented the defined benefit liability (note 19) inclusive of amounts relating to prior employees. These amounts are not obligations for Tasracing Pty Limited and were not in 2011. Consequently, the defined benefit liability has been restated at 30 June 2010 and 2011. The impact of the restatement is presented in the following table. In accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, the Statement of Financial Position at 30 June 2010 is also presented in these financial statements.

	Note	2010	Restatement	2010
Current liability - defined benefit liability	19	(51,000)	-	(51,000)
Non-current liability - defined benefit liability	19	(3,042,000)	(1,267,000)	(1,775,000)
		(3,093,000)	(1,267,000)	(1,826,000)
Contributed equity	22	53,874,530	1,267,000	55,141,530

	Note	2011	Restatement	2011
Current liability - defined benefit liability	19	(95,000)	62,000	(33,000)
Non-current liability - defined benefit liability	19	(3,162,000)	1,193,000	(1,969,000)
		(3,257,000)	1,255,000	(2,002,000)
Employee benefits expense	11	184,000	12,000	196,000

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Directors' Declaration

1. The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and give a true and fair view of the financial position and performance of the company;

(c) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2 to the Financial Statements.

2. Whilst not a requirement, the directors have been given the declarations as set out in Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2012.

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the Directors



B Speers
Chairman
Tasracing Pty Limited
Hobart, 26 October 2012



Tasmanian
Audit Office

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6 November 2012

The Board of Directors
Tasracing Pty Ltd
6 Goodwood Road
GLENORCHY TAS 7010

Dear Board Members

Auditor's Independence Declaration

In accordance with section 307C of the *Corporations Act 2001*, I provide the following declaration of independence.

As the auditor of the financial report of Tasracing Pty Ltd for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

Pursuant to section 298(1)(c) of the *Corporations Act 2001* a copy of this declaration must be included in the Directors' report.

Yours sincerely

E R De Santi
Deputy Auditor-General
Delegate of the Auditor-General

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To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference

Independent Auditor's Report

To the Members of Tasracing Pty Ltd

Financial Report for the Year Ended 30 June 2012

Report on the Financial Report

I have audited the accompanying financial report of Tasracing Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2012, the statements of comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Auditor's Opinion

In my opinion:

- (a) the Company's financial report is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of its financial position as at 30 June 2012 and its financial performance for the year ended on that date, and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

The Responsibility of the Directors 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 and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls 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. In Note 2, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

...1 of 2

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of 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 Directors' preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*. The *Audit Act 2008* further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of State Entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

I confirm that the independence declaration required by the *Corporations Act 2001*, was provided to the Directors on the same date as this audit opinion and is included in the Directors' report.

Tasmanian Audit Office



E R De Santi
Deputy Auditor-General
Delegate of the Auditor-General

HOBART
6 November 2012

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To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
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