



CHAIRMAN'S REPORT

Tasracing has achieved a significant improvement in its financial results this year due to its disciplined financial management and robust commercial strategies that have driven wagering and income growth.

The loss of \$0.5 million in 2012/13 represents a transformation in the organisation's performance given last year's \$10.4 million loss. Tasracing's management team and all employees should be congratulated for their part in achieving this \$9.8 million turnaround.

Importantly, it was achieved while maintaining industry service levels and delivering on the organisation's responsibilities. In addition, industry funding was not impacted in any way. The allocation for prize money and industry funding in 2012/13 increased by CPI (1.6 per cent) or \$339,000 to more than \$21.7 million.

Tasracing's Corporate Plan articulates the organisation's vision for Tasmania's racing industry to become globally competitive and sustainable.

The plan outlines Tasracing's direction and provides a clear overview of priorities and strategies on which all our activities are based – in other words, a blueprint for the Tasmanian racing industry's ongoing development.

In my Annual Report message last year, I noted the importance of the Board's regular review of the Corporate Plan.

This work was undertaken again this year in discussion with the industry, taking account of our continued focus to help move the industry to a

position where it is more sustainable.

Tasracing is ultimately responsible for the commercial performance of the Tasmanian racing industry. Growing wagering turnover is a key goal identified in the Corporate Plan. Increasing turnover is important because of the revenue that is generated for industry through race field fees.

Given this focus it is pleasing to note that wagering turnover on Tasmanian product in 2012/13 grew by \$28 million to \$403.7 million. This 7.7 per cent increase follows growth of 8.4 per cent in 2011/12.

This is a good news story for our industry and provides real evidence that the commercial strategies developed and implemented by Tasracing are delivering benefits to the state's racing industry.

Under Tasracing's code allocation model, the commercial performance of each code is evaluated and considered when determining the annual budget for stakes and other requirements of each code. Aligning code funding with commercial performance is important to ensure that racing activity is aligned with contemporary customer preferences.

Tasracing had a target of improving its 2011/12 pre-impairment loss of \$4.6 million by \$1.1 million in 2012/13 as a significant step towards achieving sustainability. Pleasingly, we exceeded that target, improving by \$2.3 million.

This greatly reduced loss is a result of Tasracing's focus across the business to increase revenue and

reduce costs, and we have worked diligently through the year to achieve this outcome, including reducing our administration costs (down to 4.8 per cent of total expenses compared to 7.7 per cent the previous financial year).

Industry sustainability has been a headline discussion point for Directors during the period covered by this report. Shareholders, Board Directors and Tasracing management have been actively engaged with industry on the matter.

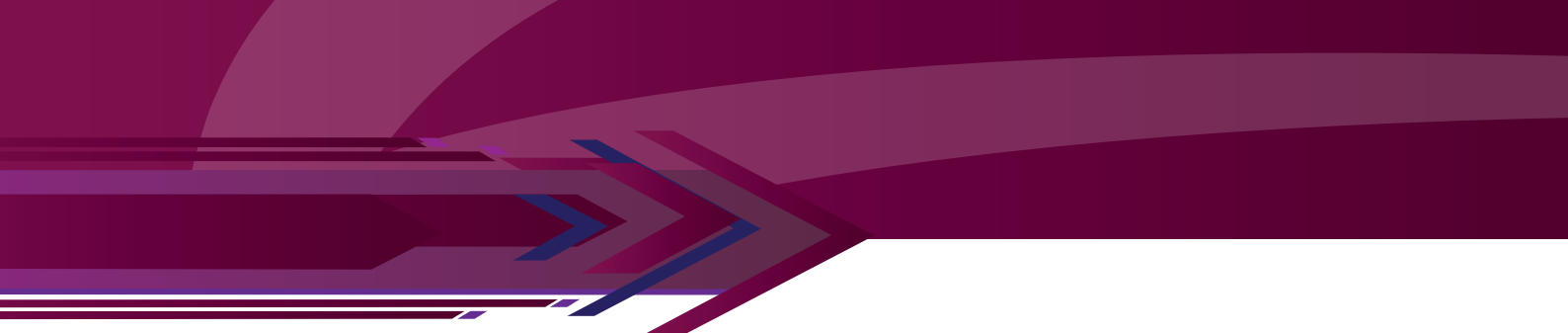
The Board remains committed to achieving a long-term, financially sustainable industry.

The Board of Tasracing has adopted the following definition of sustainability in a financial context:

Sustainability is achieving at least an accounting break-even result and generating sufficient cash flows to service debts and fund an appropriate maintenance and development capital expenditure program.

It should be noted that the Board is looking at sustainability first in a financial context before tackling broader industry sustainability issues. But it is important to note that, through consultation with industry, the Board recognises the need for all sectors of the industry to be sustainable.

While this financial report illustrates significant improvement in performance, Tasracing remains exposed to financial risks, and the issue of financial sustainability remains a critical topic for the Board in relation to its discussions with shareholders.



Our consultation also identified a need to undertake an economic impact study to accurately identify the economic benefits generated by the industry across the three codes.

A key part of the sustainability review is an economic impact study. IER Pty Limited will undertake the work and prepare a report that establishes the benefits of the Government's contribution under the Funding Deed – industry contribution to Gross State Product and employment. The study is being jointly funded by Tasracing and the Department of Energy, Infrastructure and Resources (DIER).

When Tasracing was first established, the State Government wanted to ensure that the Tasmanian racing industry was governed in a robust manner, aligned to a contemporary commercial environment.

Tasracing's commercial and operational success has been overseen by the Board acting in the interests of the entire industry and taking a long-term, strategic view according to the direction of Tasracing's shareholder ministers. On occasions, the Board has been required to make commercial decisions that have challenged participants to do things differently, but these decisions have been essential for the industry's overall success and future development.

Regular industry feedback reveals that most stakeholders acknowledge the difficulties and challenges that the Directors and the organisation face, and recognise the efforts and achievements of the Board and management of Tasracing.

This industry communication is important. To demonstrate that importance, Tasracing CEO Eliot Forbes chairs each meeting with code representatives and stakeholders.

The organisation has released two discussion papers on sustainability and is appreciative of the feedback received from industry.

Under new reporting guidelines, Tasracing is required to include a Statement of Corporate Intent in the annual report. This is available to read on page 17.

This year saw the conclusion of the 12-year relationship between the Tasmanian Summer Racing Carnival (TSRC) and previous naming rights sponsor AAMI. On behalf of Tasracing and the Tasmanian Racing Club and the Tasmanian Turf Club I would like to thank AAMI for its long association with the TSRC. The industry's relationship with AAMI was a successful one that allowed the carnival to develop significantly.

In June we announced a new naming rights partnership for the TSRC with Betfair, one of the world's leading wagering operators and a major Tasmanian employer in Hobart. We are confident that through the partnership, Betfair will help keep the national thoroughbred racing spotlight on Tasmania during the summer months.

While reflecting on the TSRC, it is also important to note the contribution of TattsBet which partnered with Tasracing to offer the \$100,000 TattsBet Cups Double Bonus for any horse that could win both the Hobart

and Launceston Cups in a single year. The bonus added an exciting level of interest to the carnival and played a key role in attracting record wagering turnover on the two feature races.

While I have already reflected on the strong contribution of the Board, I would like to thank my fellow Directors for their support and hard work in 2012/13. The Board meets monthly and Directors actively engage with industry stakeholders in Tasmania and nationally by representing the state on various industry committees. This work is often not highly visible, but very important to ensure Tasmania has a voice in a national context. As noted, the decisions taken by the Board have not been easy and required careful and often lengthy deliberation, but we remain confident that they were the right ones for our future.

I would also like to thank Tasracing chief executive officer Eliot Forbes, his management team and all Tasracing employees for their work and commitment.

And finally I would like to note the important contribution of Racing Minister Bryan Green. His support of Tasracing and the Tasmanian racing industry has been important as we continue to address industry sustainability issues.

Brian Speers

Chairman

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