

Tasracing ANNUAL REPORT 2013



Leaders in innovative racing technology.





TABLE OF CONTENTS

Chairman’s Report.....	2
From the CEO	4
Statement of Corporate Intent.....	17
Board of Directors.....	18
Thoroughbred Racing	19
Harness Racing	23
Greyhound Racing	26
Annual Financial Report	29



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.

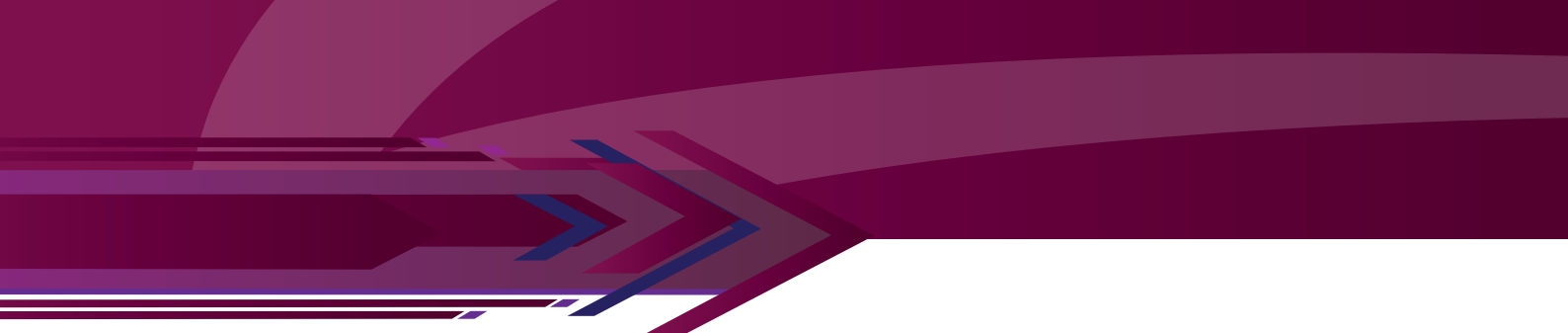
The Board remains committed to achieving a long-term, financially sustainable industry.

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

“Wagering turnover on Tasmanian product in 2012/13 grew by \$28 million to \$403.7 million. This 7.7 per cent increase followed growth of 8.4 per cent in 2011/12.”



FROM THE CEO

Tasracing achieved a number of significant outcomes in 2012/13.

Firstly, Tasracing has successfully managed its cost base and increased income to produce a significant improvement in its net result. The financial year loss of \$0.5 million is an \$9.8 million turnaround on the loss of \$10.4 million in 2011/12.

Secondly, Tasracing has made significant inroads to close the funding gap that was identified in the financial year. The company committed to improve the 2011/12 pre-impairment loss of \$4.6 million by \$1.1 million in 2012/13. Tasracing overachieved on this target delivering a net improvement of \$2.3 million.

And third, wagering turnover on Tasmanian racing in 2012/13 grew by \$28 million to \$403.7 million, or 7.7 per cent across the three codes (building on 8.4 per cent growth from the previous year). This growth was achieved in the face of significant competition from other entertainment options and at a time when there is increasing pressure on consumers' disposable income and can be attributed to the commercial strategies developed and implemented by Tasracing.

From my first day in the job as the Tasracing CEO on 1 August 2012, the organisation and I have been focused on working to ensure the Tasmanian racing industry remains relevant in a

Tasmanian and national context.

At the time my appointment was announced to industry, I wrote in a statement:

"To be successful our industry needs to be lean and customer-focused, relevant to current and new audiences and have a powerful digital presence."

"These areas will be a key focus for me in the short to medium-term as we continue to work with our industry partners to develop a more sustainable sector which has less reliance on Tasmanian Government funding for its operations."

Reflecting on the organisation's performance in 2012/13, we have been very successful in achieving the goals as outlined above.

BUSINESS REVIEW Industry funding

The allocation for prize money and industry funding in 2012/13 increased by CPI (1.6 per cent) or \$339,000 to \$21.7 million. This comprised:

- Thoroughbreds - \$11.7 million (an increase of 1.6 per cent).
- Harness - \$5.9 million (1.27 per cent).
- Greyhounds - \$4 million (1.99 per cent).

Tasracing's code allocation model recognises the individual code's

contribution to wagering performance and aligns code funding accordingly.

Digital presence

Consistent with the company's strategy to engage with digital - savvy customers, Tasracing's website (tasracing.com.au) continues to be an extremely important and effective communication tool.

To improve the web site visitor's experience, including access from mobile devices, a modern Content Management System was implemented.

Website statistics for 2012/13 show an increase in visitor numbers of 20 per cent compared to the previous financial year.

StrideMASTER, Tasmania's state of the art GPS tracking system for thoroughbreds that captures key performance statistics for all horses in all Tasmanian races, continued to provide sectional and biometric data, not only driving visitor traffic to the web site but also positioning Tasmanian racing as a premium choice for wagering customers.

Form, comments and tips on the Tasracing web site for the harness code, plus promotion of this information via social media, was also well received.

Since March 2013, greyhound form, comment and racebook information has been available on the website on

"The allocation for prize money and industry funding in 2012/13 increased by CPI (1.6 per cent) or \$339,000 to \$21.7 million."

Key performance areas

Improved net financial performance



Tasracing committed to improving its 2011/12 pre-impairment loss of \$4.6m by \$1.1m. Overachieved on this target delivering \$2.3m net improvement.

Number of races



Race numbers across all three codes were maintained in 2012/13 compared to the last financial year.

Improved turf track performance



91.2% races run on target turf track rating (2011/12: 84.3%).

Improved asset performance



Reduced number of races rescheduled or abandoned due to electrical or infrastructure faults (excluding weather-related issues) 0.6% of total run (FY12: 1.6%).

Increased International exposure



17 night thoroughbred race meetings exported to France in 2013 calendar year (2012: 12 meetings).

New marquee sponsorship



Betfair signed as new sponsor for the Tasmanian Summer Racing Carnival.

a page aptly named "Punter's Corner". Previews of meetings, together with the audio of the Greyhound Show aired on RadioTAB, are also available.

There are now close to 7,000 race and trial replays available on the website (tasracing.com.au).

Alongside web site visitor number growth, Facebook growth has been

strong. The number of people "Liking" Tasracing's Facebook page increased by more than 300 per cent for the period. While on the subject of social media, during the 2013 Tasmanian Summer Racing Carnival, our activity on Twitter and Instagram increased significantly, and we started sharing corporate updates via LinkedIn.

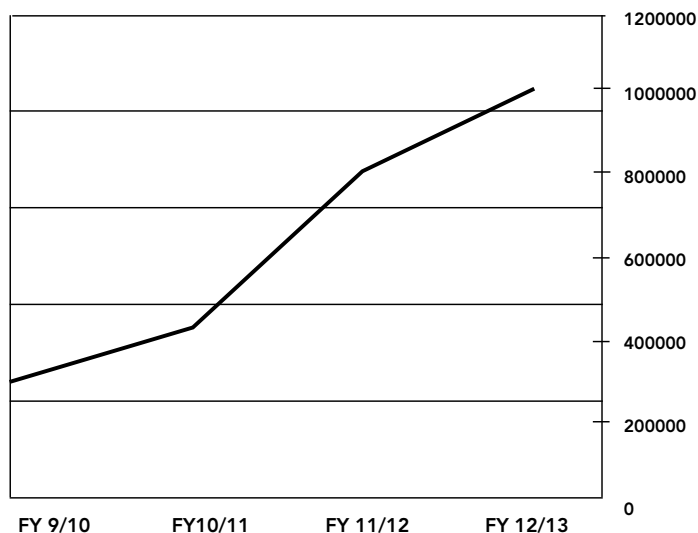
Industry partnerships

This financial year Tasracing and Betfair signed a new three-year exclusive naming rights partnership arrangement for the Tasmanian Summer Racing Carnival and the Hobart and Launceston Cups.

As many would appreciate, Betfair is one of the world's leading wagering operators and was licensed by the Tasmanian Government in February 2006.

At the sponsorship announcement, Betfair Australia CEO Giles Thompson described his company as a "proud Tasmanian" that was delighted to partner with the carnival when presented with the opportunity.

Our partnership with TattsBet and the establishment of the \$100,000 bonus for the owner and trainer of any horse that can win the Hobart and Launceston Cups in a single year played a major role in achieving record wagering turnover on the two races. It



Website page views



“Turnover on the Hobart and Launceston Cup meetings from all wagering operators totaled \$6.5 million and \$7.4 million respectively, representing growth of 30 per cent and 60 per cent.”

also created a new level of excitement among local and interstate owners and trainers, and an extra level of interest for the carnival overall.

Tasracing, Magic Millions and TasBreeders signed a three-year agreement to conduct the Magic Millions Tasmanian Yearling Sale.

The three-year deal, announced in September 2012, reaffirmed Magic Millions’ confidence in the Tasmanian bloodstock industry.

Magic Millions managing director Vin Cox said he was very pleased to “sign up” to conduct the Tasmanian sale with the support of Tasmanian breeders.

He said: “Pound for pound, dollar for dollar, the Tasmanian sale competes well alongside every mainland state. Tasmanian breeders are very passionate about their industry. We enjoy getting down to Tasmania for the sale. It’s a great sale to run. The enthusiasm really rubs off on vendors and buyers.”

Tasracing also reaffirmed with Sky Racing variations to broadcast agreements that secure the desirable Wednesday night thoroughbred slot which maintains Tasmania’s strategic position in Sky’s international broadcast schedule.

Racing

Tasracing assumed race day functions from the Tasmanian Racing Club and the Devonport Racing Club in 2012/13.

Following extensive discussions and consultation with the respective clubs, separate offers were made and accepted by both clubs which included the transfer of race day staff as part of a set of measures to help improve each club’s financial performance. The decisions were in line with Tasracing’s corporate strategy to streamline operations. Importantly, the transition did not interrupt service delivery levels for industry participants.

Consultation Meetings		1 July - 30 Sept Quarter 1	1 Oct - 31 Jan Quarter 2	1 Jan - 31 March Quarter 3	1 April - 30 June Quarter 4
Thoroughbred	Thoroughbred Advisory Network (TAN)	1	1	1	1*
	Tasmanian Jockey Association/Tasracing Joint Meeting	1	1	2	1
	Magic Millions Yearling Sale Working Group	1	1	2	
Harness	Open Industry Forum **	2			
	Harness Industry Forum (HIF)		1	1	1*
	Harness Race Programming Working Group**	1			
	Harness Yearling Sale Working Group			1	1*
Greyhound	Greyhound Reference Group (GRG)	1	1	1	1*

* HIF, GRG and TAN meetings scheduled for June 2013 took place in July 2013 due to operational requirements

** Open Industry Forum and Programming Working Group were amalgamated in December 2012 and were renamed the Harness Industry Forum.



Tasracing has employed club race day staff and assumed responsibilities for their management without increasing its office staff. Efficiencies have already been identified and Tasracing will continue to refine operations to ensure service delivery is efficient and effective.

The Hobart Greyhound Racing Club (HGRC) hosted a highly successful National Sprint and Distance Championships, as well as organising a full week of events for the annual Australian Greyhound Racing Association and Greyhounds Australasia conferences.

In February Tasracing facilitated apprentice jockey training returning to Tasmania. At the time of writing, there were 13 apprentices undertaking their Certificate IV jockey program.

The quality of the Hobart and Launceston Cups continue to improve. While it occurred outside the reporting period covered by this annual report, following the August 2013 meeting of

the Australian Pattern Committee, I am pleased to note the:

- 2013 Hobart Cup achieved its highest ever rating.
- 2013 Launceston Cup equalled its highest ever rating (2009).
- Upgrade of the Vamos Stakes for fillies and mares to Group 3 in 2014.

Turnover on the Hobart and Launceston Cup meetings from all wagering operators totaled \$6.5 million and \$7.4 million respectively, representing growth of 30 per cent and 60 per cent.

The synthetic all-weather surface at Tapeta Park at Spreyton continued to perform strongly in 2012/13 and continued to attract strong praise from industry participants.

Turnover on races at Tapeta Park increased by more than \$10 million this year. This represents a per race average increase of 28 per cent compared to last year. Field sizes were

consistent with 2011/12.

The Tapeta Park surface provides surety for racing and consistency of product. Both factors contributed significantly to the overall turnover result for the thoroughbred code.

Tapeta Park has quickly become a critical asset in the state's racing infrastructure portfolio reaffirming the importance of the Tasmanian Government's investment in the project.

In July 2012 Tapeta Park hosted what was, to the best of our knowledge, the first harness race meeting to be conducted on a synthetic thoroughbred surface. Four race meetings, as well as harness training activities, were conducted at the venue which has diversified the use of the asset.

Assets

A significant initiative in 2012/13 was the introduction of a Strategic Asset Management and Information System

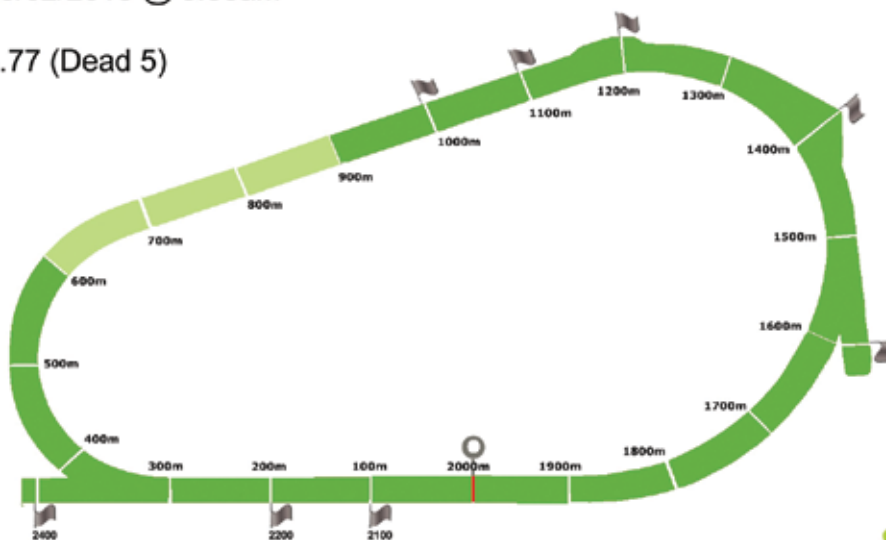


LEGEND

- FAST 1
- GOOD 2
- GOOD 3
- DEAD 4
- DEAD 5
- SLOW 6
- SLOW 7
- HEAVY 8
- HEAVY 9
- HEAVY 10
- STARTING POSITIONS
- WINNING POST

TATTERSALL'S PARK COURSE PROPER
10/02/2013 @ 5:30am

4.77 (Dead 5)



ELWICK TRACK



(SAMIS). It is a cutting edge approach to asset management to ensure continuity of operations, efficient maintenance schedules, compliance and forecasting.

Following the 2012 Hobart Cup Tasracing installed new specialised, sub-soil drainage from 975-metres to the 875-metre mark at Tattersall's Park.

The drainage trenches were excavated using vacuum trenching technology. This method significantly reduces the recovery time required for such works.

The area drained showed significant improvement during the winter of 2012.

Following the success of this drainage work, Tasracing installed additional drainage from 875-metres to 825-metres. These areas now drain at the same rate as the majority of the track with no evidence of standing water during wet weather.

Tasracing will continue to improve drainage at Tattersall's Park. Much of the drainage work is performed by the

groundstaff which has a significant cost advantage over engaging contractors.

To assist in customer and stakeholder understanding of track conditions, Tasracing introduced a colour-coded 'track rating' map that was distributed to industry and wagering customers for races at Tattersall's Park.

At The TOTE Racing Centre at Mowbray, a specialised maintenance program including an extensive renovation in the spring, was implemented to assist in the delivery

“During 2012/13, 91.2 per cent of all races were within this target range, compared to 84.3 per cent in 2011/12.”

“Night racing delivers a 27 per cent premium on total meeting turnover compared to Sunday race meetings.”

of the busy night racing schedule.

The performance of the track (21 night racing meetings over 26 weeks) was important as it ensured a consistent, quality product to take full advantage of the premium broadcast spot secured by Tasracing from Sky. By any measure this is an outstanding asset performance for a track in southern Australia with a “cool season” grass species.

Tasracing targeted thoroughbred track ratings of Good 3 to Dead 5 for October to March and Good 3 to Slow 7 for April to September. During 2012/13, 91.2 per cent of all races were within this target range, compared to 84.3 per cent in 2011/12.

Tasracing has a proactive asset management regime and as a result only 0.6 per cent of races across all three codes were rescheduled or abandoned (1.6 per cent in 2011/12) due to electrical fault or infrastructure issues (this excludes weather-related incidents).

A new gantry and LED lights were installed at The TOTE Racing Centre at Launceston for the greyhound code and commenced operations at the race meeting on 27 May 2013. The improvement to the quality of the photo finish images has been substantial and has enhanced integrity outcomes.

Major improvements were made to the catching pen area at the Brighton

Training Centre with the replacement of fencing and the installation of four greyhound starting boxes.

Safety has also been a key focus for the organisation.

While the introduction of new WHS legislation from 1 January 2013 increased the responsibility on all parties involved in racing to make the industry as safe as possible, Tasracing initiated a suite of risk mitigation strategies in relation to workers’ compensation across racing, assets and return to work. Workers’ compensation costs for jockeys decreased by \$637,000 as a result of improved claims history during the financial year.





International

Tasmanian racing product's global footprint incorporates New Zealand, the USA, the UK, South Africa, Singapore, France, Indonesia, the Philippines, Papua New Guinea, Sri Lanka and the United Arab Emirates. Tasracing is now generating revenue for the industry from these international jurisdictions. New Zealand is the largest export market at 36 per cent with France quickly increasing to 23 per cent while the UK and South Africa are nine per cent and six per cent respectively.

International expansion is of particular importance as it provides new revenue for industry (increasing off-course wagering is vital for the industry's future sustainability). International turnover on Tasmanian racing increased by 39 per cent in 2012/13. All of the codes demonstrated good growth - greyhound racing increased by 16 per cent, harness racing increased by 39 per cent while thoroughbred racing, supported by the night racing schedule, increased by 123 per cent.

This performance has been very pleasing, however international returns remain modest and will grow over the

medium to long-term, as new markets take time to develop.

Importantly, feedback from these international customers reveal that our racing is the equal of any other internationally-broadcast races.

Aymeric Verlet, PMU's International Development Director, said: *"Launceston thoroughbred races have been a popular addition to the Wednesday racing calendar in France. The quality of Tasmania's product is world class and Tasracing's willingness to meet our customers' requirements, for example with their late mail service in French, has helped grow the popularity and wagering performance of this emerging racing product for our punters."*

Night thoroughbred racing

This financial year's 21 Wednesday night thoroughbred meetings in Launceston were a great success.

Night racing delivers a 27 per cent premium on total meeting turnover compared to Sunday race meetings. The average meeting turnover for Wednesday night meetings in Launceston was approximately \$2.55 million. For the equivalent period, the average meeting turnover for a

Sunday day meeting, at any location, was approximately \$2 million.

The races are well supported by trainers, with average field sizes of 10.1 compared to 9.2 for daytime Sunday meetings.

In addition to direct financial benefits, night racing provided several strategic advantages, including expanded coverage of Tasmanian thoroughbreds on Sky Racing World, featuring trackside interviews and pre-race mounting yard analysis.

As one of only a handful of night thoroughbred racing venues in Australia, the value of the State Government's investment in lights is now being clearly demonstrated.

Tasmania is the only regular Australian product broadcast into the French market and the expansion from 12 to 17 meetings in the 2013 calendar year was driven by customer demand and Tasracing's competitive positioning of the product.

Service initiatives undertaken this year to strengthen the acceptance of Tasmanian racing by French customers have included the delivery of "Late Mail" tips and preview information in French prior to each meeting.

During the year there has also been

	Meetings	Out of Session
Board Meetings	11	3
Audit & Risk Subcommittee	6	-
Racing Policy & Rules Subcommittee	3	5
Remuneration Subcommittee	2	-
Nominations Subcommittee	1	-



further demand of Tasmanian product from many countries, including New Zealand, South Africa and Singapore.

FINANCIAL REVIEW

Statement of Comprehensive Income

As noted earlier, wagering turnover on Tasmanian racing in 2012/13 grew by \$28 million to \$403.7 million, or 7.7 per cent across the three codes (building on 8.4 per cent growth from the previous year).

Breaking it down code-by-code, turnover on the thoroughbred code increased by 11.6 per cent in 2012/13 compared to the previous year, the harness code consolidated its excellent performance last year with a 0.16 per cent increase in turnover while the greyhound code increased turnover by 6.93 per cent.

Increasing turnover is important to the Tasmanian industry because of the revenue that is generated through race field fees. In 2012/13, race field fees provided \$5 million in revenue for Tasracing and the Tasmanian racing industry up 6.7 per cent from the previous financial year.

As noted earlier, Tasracing made a loss for the year of \$0.5 million, an improvement of \$9.8 million on the loss of \$10.4 million in 2011/12. The key drivers for this result are noted below.

Income increased by 10.7% or \$3.8m to \$39.2m. Tasracing is responsible for its commercial revenue streams.

All forms of racing-related revenue has been classified as racing revenue on the face of the Statement of Comprehensive Income and is analysed in Note 3 in the notes to the financial statements. Racing revenue increased by \$993,000 (17.0 per cent) made up as follows:

- A 6.7 per cent increase in domestic race field revenue from \$4.7 million to \$5 million driven by 7.7 per cent growth in wagering turnover.
- A 98.9 per cent increase in other income driven by:
 - A new contribution from Racing Services Tasmania to the costs of vision and broadcast of \$125,000.
 - Securing training income and funding of \$78,000 to subsidise the harness training program.
 - A new income stream resulting from the restructure of responsibilities with the Devonport Racing Club and the Tasmanian Racing Club which amounted to \$64,000 in 2012/13.

Funding from the Tasmanian Government increased by \$526,000 for the following two reasons:

- A 0.6 per cent increase in the annual operating grant under the Funding Deed equivalent to \$164,000. CPI of 1.6 per cent was reduced by one per cent to reflect the efficiency dividend.

- An increase of \$361,000 owing to the new support in relation to the loan at Note 17(i). This new support applies to the principal, interest and guarantee fees on the loan for the three years ending 30 June 2015. The support for the principal is treated as an equity contribution.

Interest revenue decreased by \$200,000 as the Reserve Bank of Australia cash rate has reduced by 1.23 per cent on average year on year.

The improvements in the business achieved in 2012/13 and identified in this report have resulted in a better financial forecast leading to the reversal of \$2.47 million of the impairment expense recognised in 2011/12 of \$5.7 million. The impairment reversal is recognised as revenue. The business model remains exposed to risks, particularly in relation to workers' compensation costs, race field fees and defined benefit scheme costs.

Expenses decreased by \$6 million from \$45.8 million to \$39.8 million.

Stakes across all three codes increased by \$275,000. However, prize money and industry funding is noted in the accounts as decreasing by \$470,000 for reasons including:

- A \$400,000 reduction in the TasBonus expense which was booked in 2011/12 as a change in accounting policy.
- A \$136,000 reduction in club meeting payments and on-



course commissions following the restructure of responsibilities with the TRC and DRC and the declining trend in on-course betting.

- Reductions in breeder incentives, travel subsidies and Interdominion contributions.

Expenses for training and racing facilities in Note 7 increased by \$406,000 to \$3.1 million for reasons including:

- A \$133,000 increase in water costs and other utilities associated with an unusually dry season requiring extended irrigation.
- A \$161,000 increase in building maintenance and related expenditure including a one-off cost to recognise the stable bond liabilities for Tapeta Park as a result of the restructure with the DRC.

Expenses for race day and racing expenses in Note 7 increased by \$144,000 mainly driven by new costs for the provision of racing and trials in relation to the DRC and TRC.

Insurance in Note 7 includes workers' compensation for jockeys. This has reduced by \$637,000 to \$671,000 from \$1.3 million. Tasracing has focussed time and resources in improving safety as a priority of the business. The advent of the new WHS Legislation from 1 January 2013 has increased the responsibility on all parties involved in racing to make the environment and conduct of racing and training as safe as possible.

Tasracing initiated a suite of risk mitigation strategies which have been in place for approximately 12 months in relation to workers' compensation across racing, assets and return to work which has improved claims during the financial year.

While there has been a good claims history in the year, Tasracing remains exposed to the maximum premium in any insurance year which is currently \$2.1 million. This contingent liability is discussed in Note 21(iv).

An expense for obsolete property, plant and equipment of \$672,000 has been recognised. The impairment charge in 2011/12 effectively reduced the value of the property, plant and equipment to take account of assets which were not providing an economic benefit. As the specific assets were identified during the process undertaken to populate the new Strategic Asset Management Plan in 2012/13, the accounting standards prohibited the allocation of the 2011/12 impairment charge to these assets. Consequently, these assets have been written off in 2012/13. These assets mainly relate to items transferred prior to 1999 to TOTE Tasmania. The charge of \$672,000 is a non-recurring, non-cash charge.

Employee benefits expense has reduced by \$440,000 for the following reasons:

- A 2.48 per cent reduction in base salaries as FTEs have reduced, natural attrition has occurred, certain roles have not been replaced and productivity gains

have translated into reduced wage costs. The executive was reduced from three to two members during the year.

- No bonuses were paid in 2012/13.
- A new \$137,000 cost for race and trial wages in relation to the DRC and TRC.
- A \$319,000 credit in relation to the reduction of the RBF defined benefit liability as a result of an increase in long-term bond rates to 30 June 2013.

Other expenses have reduced by \$115,000. This reduction is driven by the \$127,000 reduction in administration costs in Note 8. Incremental administration costs were incurred for the economic impact study and the harness training program which were more than offset by controlling and reducing costs in the areas of public relations, consultants, doubtful debts, legal fees, printing and stationery.

Statement of financial position

Notwithstanding the loss for the year, the cash balance for the company increased by \$1.2 million to \$5.4 million at 30 June 2013. Significant working capital improvements have been made which include moving to a monthly race field regime generating approximately \$1 million in incremental cash.

Non-current tangible assets have decreased by \$700,000 reflecting the



additions of \$620,000 offset by the depreciation charge of \$2.9 million in 2012/13. Non-current assets also reflect a write off of \$672,000 for obsolete assets and a \$2.5 million impairment reversal, which increases the carrying value of non-current assets.

Borrowings have increased by \$330,000 representing the \$471,000 draw down for the final tranche of the Tapeta Park project reduced by principal repayments of \$141,000 on the \$3 million loan. Note 17 shows the maturity of the \$9 million bond and the re-finance of this amount and the overnight deposit into the \$9.7 million credit foncier facility on 28 June 2013. The credit foncier facility requires principal and interest repayments through to a termination date of 2029 with interest fixed at 5.2 per cent for the first 10 years.

The RBF liability has decreased to

\$1.875 million from \$2.165 million as a result of the increase in long-term bond rates prior to 30 June 2013.

Contributed equity has increased by \$141,000 reflecting the treatment of the government support for the principal payments on the \$3 million loan received during the year.

Statement of cash flows

Net cash flows from operating activities have improved from -\$830,000 in 2011/12 to an inflow of \$1.3 million in 2012/13. The loss of the year of \$0.5 million includes non-cash components of \$2.9 million for depreciation, \$672,000 for obsolete assets and \$2.5 million impairment reversal indicating that, all other matters aside, operating cash inflows should be approximately \$600,000. Positive operating cash

flows have been generated through working capital improvements. The most significant contribution is from the move to monthly race field returns which has improved cash by approximately \$1 million at year end.

Non-essential capital projects have been delayed where possible limiting the capital spend to just \$620,000. These projects have been funded from operating cash flows and not from further borrowings.

Borrowings have increased by \$471,000 for the drawdown of the final tranche of the spend on Tapeta Park. Repayments of principal on the \$3 million loan of \$141,000 were fully reimbursed by the Tasmanian Government in accordance with the Ministerial Package.

Net cash inflow during the year was \$1.2 million increasing year end cash



to \$5.4 million compared to \$4.2 million in 2011/12.

Sustainability

The company has successfully reduced its loss, however there is still a funding gap. The recognition of impairment expense and reversal and the related expense for obsolete assets has introduced complexity into the results which makes it more difficult to establish the underlying trading loss and funding gap.

The table below adds back the impact of the impairment and associated amounts over the past two years. The Board committed to improve the 2011/12 pre-impairment loss of \$4.672 million by \$1.1 million in 2012/13. The appropriate measure for this in 2012/13 is the \$2.3 million derived in the table below. The \$1.1 million improvement has been achieved and exceeded by a further \$1.2 million on this basis.

By achieving the improvements identified in this report, the Board and management have done all they can at this stage to minimise the funding gap. Tasracing still faces significant financial risks in race field fees, workers'

compensation costs and defined benefit obligations that are likely to influence profitability. Work continues with shareholders to make necessary changes to the business model in 2014/15 to bridge the funding gap.

Conclusion

As noted in the Chairman's message, Tasracing's strategy and operations are guided by a detailed corporate plan. This regularly updated document provides a clear overview of our priorities.

We have enjoyed a very successful 2012/13 in terms of our overall performance because of the strategies contained within the plan and a strong focus on commercial performance. This disciplined approach has been a crucial element to Tasracing's success this year.

In concluding my first annual report message, I would like to thank the Minister for Racing, Bryan Green, the Board, Tasracing employees and those industry participants with whom I met and consulted with for their support, guidance and advice through the year.

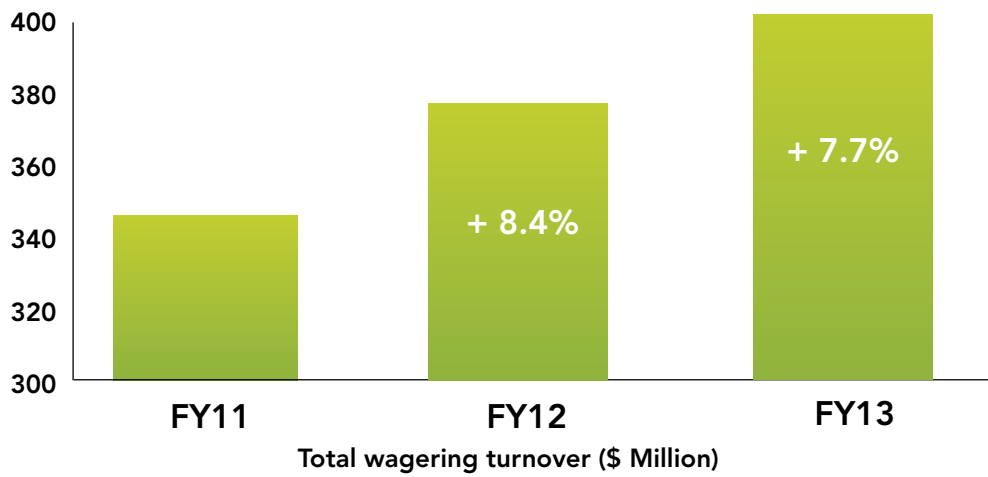
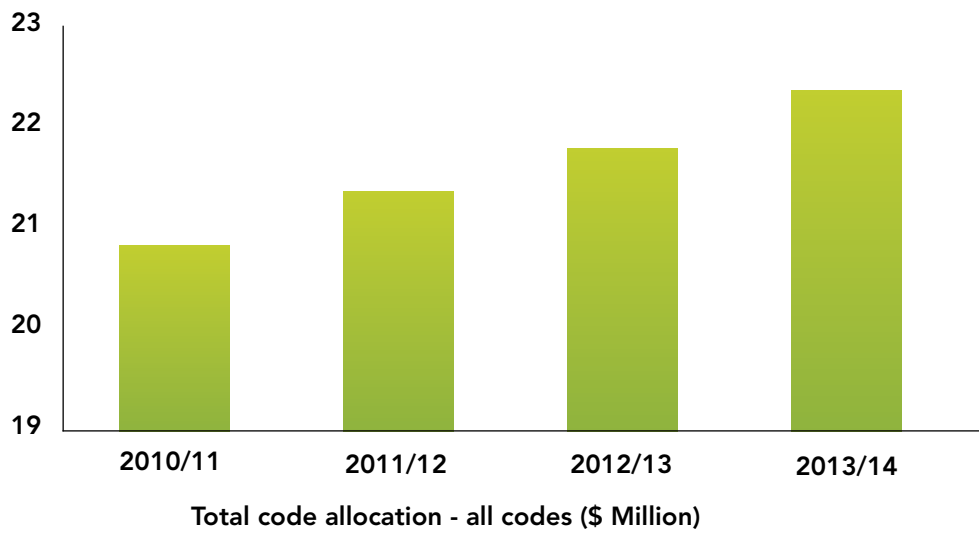
There is still some considerable

work for Tasracing and the industry to collectively undertake to achieve sustainability, although there is no doubt we have taken some important steps forward in 2012/13. Tasracing remains committed to effectively and efficiently administering Tasmanian racing and improving its commercial performance.

Dr Eliot Forbes
Chief Executive Officer

	2012/13	2011/12	Improvement
Statutory loss	-\$535,941	-\$10,379,276	\$9,843,335
Impairment expense, reversal and related obsolete write-off	-\$1,800,072	\$5,706,428	-\$7,506,500
Non-statutory loss	-\$2,336,013	-\$4,672,848	\$2,336,835





STATEMENT OF CORPORATE INTENT

Strategic Direction

Tasracing's principal purpose is to develop a competitive and sustainable Tasmanian racing industry both nationally and internationally. The strategic directions underpinning this principal purpose include:

- The support and promotion of the racing industry within Tasmania with the aim of ensuring a sustainable, robust and competitive industry in the long term;
- Presenting competitive and efficient racing products;
- Developing strategies and initiatives to address cost efficiencies, racing product enhancements and its approach to marketing racing products;
- To grow product fees as a source of revenue in the longer term;

- Manage the financial performance and business risk; and
- Maintain a culture of continuous improvement in business operations systems and processes

This Statement of Corporate Intent has been prepared on the basis that Tasracing is a going concern. The continued existence of Tasracing in its present form, undertaking its current activities, is dependent on Government policy and the ongoing financial support from Government for its continued operations.

Performance Statement

Table 1 presents the Performance Statement which has been included for the first time under guidelines issued by Government to improve transparency and accountability for state owned corporations. The Performance Statement captures the relevant financial and non-

financial targets of the business. The Performance Statement presented is consistent with Tasracing's Corporate Plan 2014-2018. Financial targets have been omitted from the table on the basis they are commercially sensitive.

Non-financial measures show the volume of races which is a key parameter. In conjunction with the volume of racing, we have included track performance as a key indicator of the reliability and suitability of thoroughbred racing. Track performance is based on the industry standard track grading system as published by Racing Information Services Australia. Track performance targets have been set to accommodate some disruption from environmental factors however inclement weather remains an ongoing risk to the achievement of these targets.

	FY13 Actual	FY14 Forecast
Thoroughbred races	622	625
Average field size	9.5	10.1
Harness races	773	785
Average field size	9.4	9.4
Greyhound races	1637	1694
Average field size	7.8	7.8
Thoroughbred track performance		
Summer (percentage of tracks presented as Good 3 to Dead 5)	94%	85%
Winter (percentage of tracks presented as Good 3 to Slow 7)	87%	85%
Annual thoroughbred track performance (summer and winter)	91.2%	85%

In adopting the forecast targets above, the Board of Tasracing Pty Limited commits to the targets proposed for FY14 on a best endeavours basis, subject to section 24 of the GBE Act. The Board of Tasracing Pty Limited agrees to provide the shareholder Ministers with information on progress against the targets in the Statement of Corporate Intent in accordance with the Reporting Guidelines.

In accordance with Treasury Guidelines on overseas travel, state-owned companies are required to disclose details in relation to overseas travel undertaken during the year. This information is presented for 2012/13 and 2011/12. The total number of trips taken by the Chairman, Directors and the CEO was three in 2012/13 and two in 2011/12. The total cost for these trips was \$13,653 and \$8,980 respectively.

BOARD OF DIRECTORS



Brian Speers – Chairman

Chairman of Remuneration Sub-Committee. HRA Executive Committee. 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.



Dean Cooper - Deputy Chairman

Member of the Major Projects Sub-Committee. 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.



Geoff Baxter

Director – Greyhounds Australasia (GA). Chairman – Veterinary and Analyst Committee – GA. Member of the Racing Policy and Rules Sub-Committee. Attends Greyhound Reference Group meetings. Member of the Audit and Risk Sub-Committee. 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.



Des Gleeson

Director - Australian Racing Board. Chairman of Racing Policy and Rules Sub-Committee. Attends Tasracing/Thoroughbred Advisory Network meetings. 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.



Trevor Leis

Chairman of the Major Project Sub-Committee. Member of the Racing Policy and Rules Sub-Committee. Attends Harness Industry Forum meetings. 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.



Tania Price

Member of the Remuneration Sub-Committee. Member of the Nomination Sub-Committee. Attends Greyhound Reference Group meetings. 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.



Danny McCarthy

Chairman of the Audit and Risk Sub-Committee. Chairman of the Nomination Sub-Committee. 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 2012/13 financial year produced strong growth in wagering turnover on thoroughbred product, an 11.6 per cent increase in gross turnover, from \$161.5 million in 2011/12 to \$180.3 million in 2012/13. This follows a 6.7 per cent increase in wagering turnover in 2011/12.

The wagering growth generated by Tasmanian product was headlined by significant increases in turnover on the premier race meet of the Hobart Cup (an increase of 30 per cent to \$6.5 million) and the Launceston Cup (60 per cent to \$7.4 million). Strong wagering growth was facilitated by, in part, many programming strategies undertaken throughout the year, including the addition of increased winter product and customer acceptance of the hybrid program consisting of benchmark and class based races.

Another key factor driving the results was the significant interstate participation due to the \$100,000 TattsBet Cup double bonus and the reinstatement of the Hobart Cup to 2400m, ensuring the race once again met the first qualifying clause for the Melbourne Cup. Wagering growth was also driven by the regular schedule of night racing as noted in the CEO's report.

The first leg of the double saw the Darren Weir-trained Hurdy Gurdy Man win the Hobart Cup, courtesy of an inspired Glen Boss ride. Tasmanian superstar Gee Gees Blackflash then saw off the interstate challenge in the Launceston race after finishing a close second in 2012.

Of the interstate competitors, David Hayes and Tony Vasil joined Weir in securing major spoils at the Tasmanian Summer Racing Carnival (TSRC). The quality of the TSRC and the participants within it have been once again been to the fore in feature races throughout Australia, highlighted by the exploits of Norsqui (Adelaide Cup) and Banca Mo (Warnambool Cup). Other notable winners on the national stage were Under the Eiffel, The Cleaner, Black'n'Tough and Youthful Jack.

In 2013 more than \$1.2 million, or 64 per cent, of Tasmanian Summer Racing Carnival prize money was won by Tasmanian-owned horses. This was a very real demonstration that Tasmanian-owned thoroughbred horses can compete against quality horses from interstate.

The carnival offered total prize money of \$1.9 million, and attracted a large number of interstate horses and jockeys. A total \$679,000 was won by interstate connections.

The 2013 Magic Millions Tasmanian Yearling Sale was the first to be completed under the direction of the Yearling Sale Working Group. The group was devised as a result of the development of a three-year agreement between Magic Millions, Tasbreeders and Tasracing, thereby securing the services of Australia's leading sales company for the period of the agreement.

The sale delivered 93 lots sold at a gross of more than \$1.1 million with notable increases in both the median price (\$10,000) and average price (\$12,266). Magic Millions Managing Director Vin Cox said: "For any sale

average to go up by more than five per cent in the market is an outstanding result."

Complementing the Magic Millions Yearling Sale and reaffirming Tasracing's commitment to the breeding industry in Tasmania, the year marked the beginning for the tasBonus incentive scheme. It was highlighted by the first of 180 tasBonus qualified two-year-olds who stepped out in November and, during the remainder of the season, it resulted in more than \$90,000 in tasBonus payments paid to winners throughout the state, including star galloper Grand Tycoon.

February marked the return of apprentice jockey training to Tasmania for the first time since 2006. Tasracing, with the assistance of Victorian registered training organisation WorkCo, implemented a program that saw nine Tasmanian apprentices begin the Certificate IV jockey program. Indentured apprentice jockey numbers have since increased to 13 and thereby significantly lessened the reliance on interstate riders.

The strength of the TSRC has once again been recognised in the Australian Pattern Committee Group and Listed race ratings. The Hobart Cup achieved its highest ever rating of 104 while the Launceston Cup in rating 103.5 equalled the highest ever rating.

The \$225,000 staking levels continue to attract quality horses that protect the prestige and traditions of these horse races.

The depth of the TSRC is further



“The 2012/13 financial year produced strong growth in wagering turnover on thoroughbred product, an 11.6 per cent increase in gross turnover...”

exemplified by the Vamos Stakes which, for the third consecutive year, rated to a level allowing for an upgrade to Group 3 status for 2014. This move will complement the Group 3 Bow Mistress Trophy and provide an unprecedented opportunity for quality race mares throughout Australia to target Tasmania for highly sought after black type status.

Tasracing acknowledges the efforts of the members of the Thoroughbred Advisory Network (TAN) who met with Tasracing on a quarterly basis. During the year inaugural TAN Chairman Michael Gordon stepped down after successfully implementing the group, with the support and encouragement of the Minister for Racing. Mr Gordon’s efforts and dedicated service have ensured that industry communication is effective and inclusive.

A seamless transition took place with prominent owner David Adams appointed the new Chairman. Tasracing looks forward to continuing to work with TAN members to strengthen and improve thoroughbred racing in Tasmania.

The continued review of racing regulation and policies was ongoing throughout the year with particular attention paid to areas in which better outcomes in relation to safety could be achieved. Through the introduction of policy alterations in areas such as the education of unraced horses and suitability of inexperienced riders, a much improved outcome was achieved in relation to workers’ compensation costs for Tasracing as detailed in the financial reports.

The annual racing awards recognised the outstanding year of Tasmanian racehorses on the local and national stage, as well as the achievements of the state’s leading participants and breeders.

2012/2013 Award Winners

TASMANIAN RACEHORSE OWNERS ASSOCIATION HORSE OF THE YEAR AWARD 2012/13
- Norsqui

ARMIDALE STUD “NEEDS FURTHER” LEADING RACE FILLY OR MARE
- Rebel Bride

TASMANIAN RACEHORSE OWNERS ASSOCIATION 3YO HORSE OF THE YEAR AWARD 2012/13

- Mister John

TASMANIAN TURF CLUB 2YO HORSE OF THE YEAR AWARD 2012/13

- Grand Tycoon

TASBREEDERS LEADING STALLION

- Savoire Vivre

TASBREEDERS LEADING JUVENILE STALLION

- Savoire Vivre

TASMANIAN HORSE TRANSPORT LEADING BROODMARE

- La Quita

TASRACING LEADING TRAINER AWARD 2012/13

- David and Scott Brunton

KEVIN SHARKIE LEADING JOCKEY AWARD 2012/13

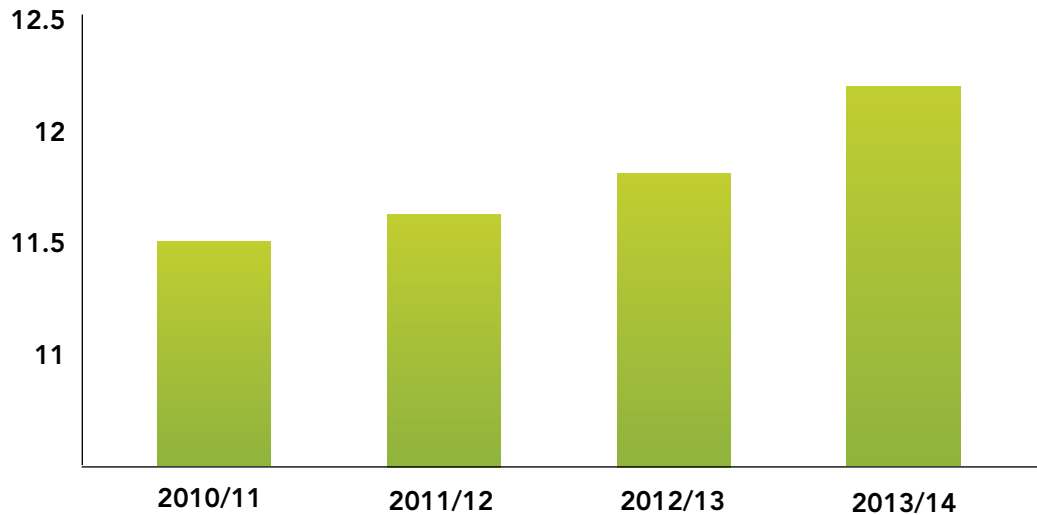
- Brendon McCoull

WORKCO LIMITED LEADING APPRENTICE AWARD

- Sigrid Carr

TATTERSALL’S PARK FUNCTION CENTRE LEADING OWNER AWARD 2012/13

- Paul and Elizabeth Geard



Total code allocation - Thoroughbreds (\$ Million)



Thoroughbred wagering turnover (\$ Million)

Key racing statistics

Thoroughbred

	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Meetings*	73	73	74	77	78
Races Held	600	588	625	626	622
Overall Starters	6255	5801	6391	6127	5925
Average Starters / Race	10.4	9.9	10.2	9.8	9.5
Winter Track Target%	67.8%	77.4%	73.3%	76.8%	86.9%
Summer Track Target%	31.6%	84.5%	84.8%	87.8%	93.5%
Total Track Target%	48.0%	81.5%	80.4%	84.3%	91.2%

* One meeting was transferred from 2012/13 to the following year due to weather.

All data includes King Island meetings, races and starters.

Turf track performance

Tasracing aims to achieve a track rating of Good 3 to Dead 5 for October to March and Good 3 to Slow 7 for April to September. Continuing development of turf management practices has resulted in significant improvements with the consistency of track ratings in 2012-13.

The combined winter and summer target track ratings improved from 84.3% (previous year) to 91.2% run in the target ratings for 2012-13.

Actual winter ratings improved from 76.8 per cent to 86.9 per cent. Summer also improved from 87.8 per cent to 93.5 per cent.

These improvements can be attributed to three major projects undertaken through the year:

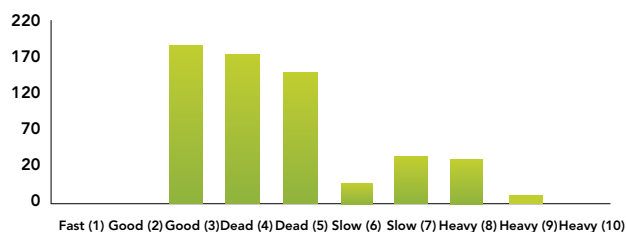
- The upgrade of the irrigation control system at Tattersall's park and the new irrigation system at

Longford improved summer track ratings through improved irrigation control.

- The drainage installed in the back straight of Tattersall's Park improved winter track ratings as this previous wet section did not depress the average rating.
- Improved and intensified cultural practices (organic matter removal) made possible through the purchase of specialised machinery. The additional practices have improved track consistency.

The Tote Racing Centre's staging of 21 meetings in 26 weeks with nine meetings back to back on a weekly basis which was a significant achievement.

Note: Longford Track is not represented in the graphs below but all six races run at this venue were conducted on a Dead 4 track.



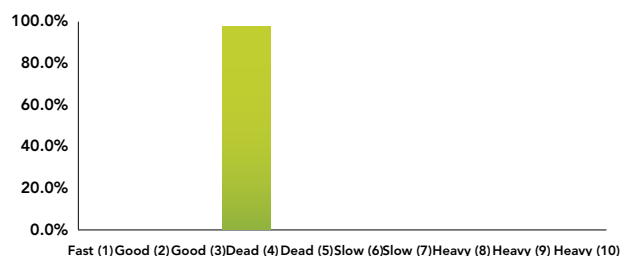
Track Rating - All Tracks



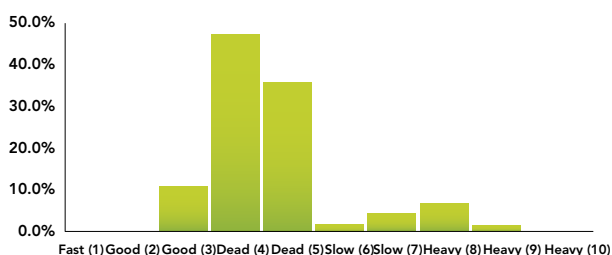
Percentage of Races Run on Seasonal Track Target Rating (%)



Track Rating - Hobart Course Proper



Track Rating - Hobart Inside Track



Track Rating - Launceston



Track Rating - Devonport

HARNESS RACING

Harness racing in Tasmania consolidated its excellent 2011/12 wagering performance (5.71 per cent growth) with a 0.16 per cent increase in turnover in 2012/13. This is a positive outcome and compares favourably with other states in Australia. The number of Sky meetings increased from 74 (2011/12) to 78 and the number of races on Sky increased by five.

Base stake money levels in Tasmania are also comparable with interstate jurisdictions. Many interstate horses targeted Tasmania, resulting in a positive impact on wagering, field sizes and the competitiveness of racing. Meanwhile, Tasbred starters comprised 50.1 per cent - up from 48.25 per cent (2010/11) and 49.28 per cent (2011/12).

There was compelling evidence during 2012/13 that Tasmanian open class racing over the past 12 months was strong. The success of Tasmanian horses at Melton and Menangle clearly indicates Tasmanian discretionary handicaps and free for alls are an ideal pathway to further success interstate. Winners of quality interstate races included Left Loaded, Our Sir Jeckyl, Drifting West, Laterron, Cosmic Under Fire, Twilight Town, Gamblers Rustler, Thirsty Mach and Quastor Centurion.

A major focus during the year was the ongoing evaluation of harness activities at Tapeta Park at Spreyton. Four race meetings were conducted at the venue in 2012/13. The first was Australia's inaugural harness race meeting on a synthetic surface at Tapeta Park in July 2012.

The first three meetings at Tapeta Park attracted good fields and pleasing wagering. A positive aspect of the fourth meeting was the

racing surface, which was praised by trainers and drivers and resulted in a good pattern of racing with horses winning and placing from a variety of positions.

Following a thorough analysis of harness activities at Tapeta Park, which included consultation with industry participants, Tasracing determined that harness training at the venue is appropriate and can continue under the present arrangements. Further harness race meetings at Tapeta Park will be considered subject to funding and appropriate broadcast availability.

In line with Tasracing's industry skills plan, mandatory qualifications aligned with national accreditations were introduced on 1 September 2012. A focus was to ensure industry participants had access to training opportunities in order to meet the requirements. Tasracing worked hard to secure external funding in order to provide training at subsidised rates with 199 harness participants attaining the qualifications.

A review was prompted following the exhaustion of external funding. Consultation was undertaken with industry stakeholders and the requirements were streamlined but remained within the framework required to ensure a logical and consistent pathway for industry requirements.

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. The initiative has been successful with 28 CNDs in March 2013 compared to 13 in March 2011.

The process of industry consultation was reviewed resulting in a reduction in the number of groups and an

increase in the frequency of meetings for the Harness Industry Forum (HIF). The HIF now meets quarterly and comprises representatives of all clubs, light harness associations and (Breeders, Owners, Trainers and Reinspersons Association (BOTRA). The other group is the Harness Yearling Sale Working Group (HYSWG) which meets as required. Tasracing appreciates the time and contributions from all forum members.

Tasracing continued to support harness breeders in 2012/13 with:

- A Tasbred Bonus distribution of \$260,000.
- Abolition of foal notification fees saving breeders more than \$35,000.
- Allocation of \$276,000 to stakes for Tasbred heats and finals.
- Tasbred Breeders Coupon payments of more than \$77,000.

The 2013 Tasmanian Premier Harness Yearling Sale was conducted at Inveresk in January. Thirty nine (39) horses were presented for sale with a colt reaching \$10,500 and the highest priced filly changing hands for \$7,000.

The sale aggregate was \$166,500 for an average of \$4,269. The buy back rate was the lowest recorded for the eight sales conducted since 2006. The lower percentage was consistent with an observation from the selling agents that the 2013 sale was the most competitive in eight years from a buyer's perspective.

The harness policy framework was strengthened with reviews of existing policies and new policies developed where required. Policy areas reviewed included race funding, abandoned or postponed race meetings, driver's series, Australasian Young Drivers Championship, driving fees, late



“There was compelling evidence during 2012/13 that Tasmanian open class racing over the past 12 months was strong.”

scratchings, Halwes Medal ,the sulky scheme and the yearling sale.

New saddlecloths were introduced following a recommendation from Harness Racing Australia aimed at standardising the harness product across Australia to increase the wagering appeal of the product. The saddlecloths were modelled on greyhound colours, with further combinations developed for number eleven and beyond. The new saddlecloths are more easily recognised than the traditional harness numbers. New South Wales and Tasmania are the first states to adopt the initiative that has been well received by wagering customers.

The provision of high-level form comments and analysis was funded by Tasracing for all Tasmanian harness races on Sky. Enhanced form information was accessible through the Tasracing and the Harness Racing Australia web sites and have helped increase website traffic. Social media channels have been utilised to increase form distribution and engagement with younger audiences.

2012/2013 Award Winners

SMITHAWARDS LEADING FEMALE DRIVER AWARD

– Kate MacLeod

ST MARYS PACING CLUB LEADING FEMALE TRAINER AWARD

– Juanita McKenzie

NORTH EASTERN PACING CLUB LEADING JUNIOR DRIVER AWARD

– Dylan Ford

FOOT & PLAYSTED LEADING DRIVER AWARD

– Gareth Rattray

SAUNDERS SIGNS LEADING TRAINER AWARD

– Barrie Rattray

SAFE AND SOUND @ BRAEBOURN STUD TASMANIAN 2YO FILLY OF THE YEAR AWARD

– Sweet Pea Jasper

ELDERSLIE HORSE CARE & SPELLING TASMANIAN 2YO COLT OR GELDING OF THE YEAR

– Resurgent Spirit

BURNIE HARNESS RACING CLUB TASMANIAN 3YO FILLY OF THE YEAR AWARD

– Nola Mayhem

CORPORATE COMMUNICATIONS TASMANIAN 3YO COLT OR GELDING OF THE YEAR AWARD

– Pachacuti

TASMANIAN HORSE TRANSPORT TASMANIAN MARE OF THE YEAR AWARD

– Benediction

TASMANIAN 4YO & OLDER HORSE OR GELDING OF THE YEAR AWARD

– Beautide

JETSONVILLE PARK TASMANIAN BROODMARE OF THE YEAR AWARD

– Amarillen

HIVOTECH INNOVATION AND DESIGN TASMANIAN HORSE OF THE YEAR AWARD

– Pachacuti

HALWES MEDAL (Sponsored by BOTRA Tasmania and Jamie Cockshutt)

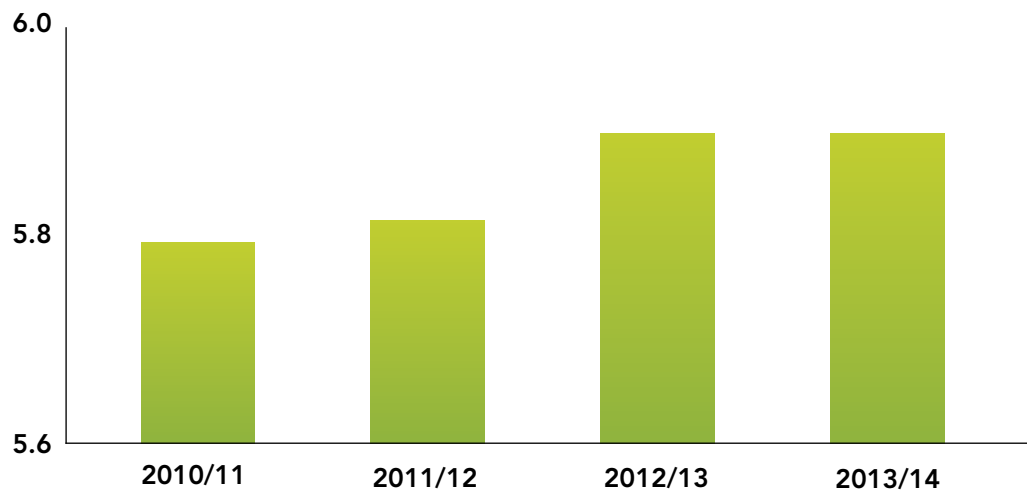
– Gareth Rattray

YOUNG ACHIEVER (Sponsored by BOTRA Tasmania)

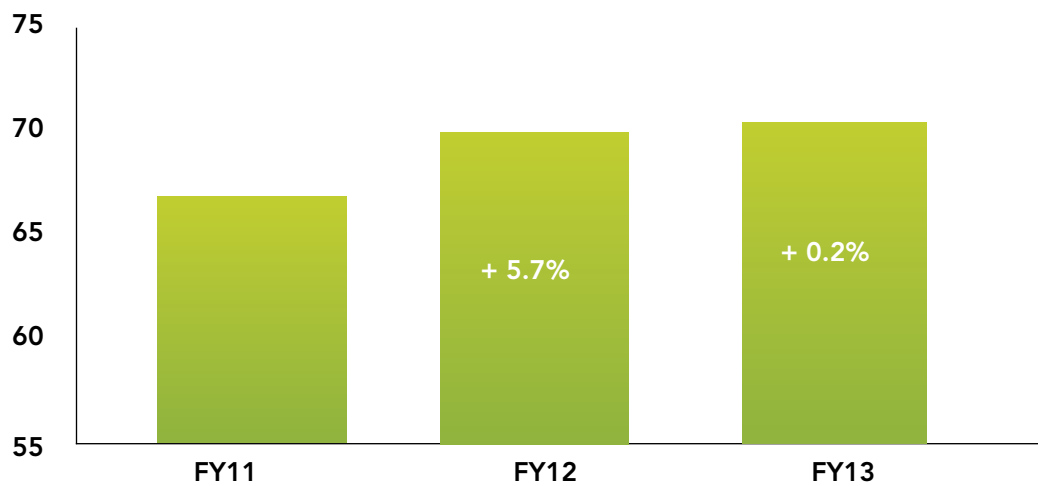
– Dylan Ford

THE EDGAR TATLOW MEDAL

– Rod Burgess



Total Code Allocation - Harness (\$ Million)



Harness wagering turnover (\$ Million)

Key racing statistics

Harness

	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Meetings*	85	85	84	83	86
Races Held	738	733	765	778	773
Overall Starters	6814	6453	7149	7366	7260
Average Starters / Race	9.2	8.8	9.3	9.5	9.4

*Excludes King Island meetings as they are counted in Thoroughbred meetings. Data presented for races and starters does include harness on King Island.

GREYHOUND RACING

Wagering turnover on Tasmanian greyhounds increased by 6.93 per cent in 2012/13 on top of a 12 per cent increase in 2011/12.

There are a number of reasons for this increase.

Tasracing, in conjunction with clubs, continued to maintain the level of product offered last financial year with the scheduling of an additional race at meetings whenever nominations allowed.

At the same time Tasracing complemented the product offering by providing form comment and racebook information on the Tasracing website in the "Punter's Corner" section. This page has been active since late March and is increasing in popularity driven by social media activity on Twitter and Facebook.

Previews of meetings, together with the audio of the Greyhound Show aired on RadioTAB, are available on the news page of the website. Also, all race replays continue to be made available on the website free of charge.

Following the success of the installation of LED lights for the photo finish camera at Tattersall's Park last year, a new gantry and lights were installed at The TOTE Racing Centre and commenced operation at the race meeting on 27 May 2013. The improvement to the quality of the photo finish images has been substantial and significantly strengthened integrity outcomes.

During the year, successful trials were conducted with a loop arm lure which allows greyhounds to run underneath the lure if it stops, thus avoiding major injury. Testing will continue at all three venues with a statewide rollout

planned once all technical challenges have been addressed.

Tasracing consulted widely with participants in the development of policies that will provide guidance to officials and especially lure drivers throughout the state. These policies, expected to be released in late 2013, will help ensure that emergency actions should enhance animal welfare outcomes.

Tasracing has continued to ensure all rules and policies remain current. During the year the amended Greyhounds Australasia Rules were adopted, together with local rule and policy amendments.

The Greyhound Reference Group met quarterly to discuss industry issues and to make recommendations on rules and policies. All clubs had strong representation at the meetings. Tasracing extends its thanks to the members for their time and efforts.

This year Tasracing has installed a system of emergency safety lights around the racing circuit and kennel areas in Hobart and Launceston that will illuminate in case of power failure.

Major improvements were also completed at the catching pen area at the Brighton Training Centre with the replacement of fencing and the installation of new four dog starting boxes.

A major landmark for Tasracing in 2012/13 was the publication of the Greyhound Animal Welfare Manual. The manual ensures best practice standards are implemented and maintained throughout the greyhound industry.

Tasracing's commitment to animal welfare has been maintained with its

support and funding for the greyhound industry funds the Greyhound Adoption Program (GAP) that rehomes greyhounds as pets in the general community.

There continues to be a strong demand for GAP graduates that has been driven by GAP's presence at a number of events including the Royal Hobart Show, Million Paws Walk and Agfest 2013.

Tasmania was the focus of greyhound racing media and the broader industry in August when Tattersall's Park in Hobart hosted the 2013 Australian Greyhound Racing Association (AGRA) National Sprint and Distance Grand Finals.

In addition to hosting the races, the Hobart Greyhound Racing Club also organised a full week of events for the annual AGRA and Greyhounds Australasia (GA) conferences. The HGRC last hosted the Sprint Final in 1987 at the Showgrounds, but it was the first time since 1983 that the club had hosted both finals.

The Distance Championship was won by West Australian sensation Miata, described as the Black Caviar of greyhound racing, in a new track record. Tasmanian greyhounds Jethro and Bell Haven finished third and fourth respectively.

The sprint final was won by the New South Wales Fabregas with the Tasmanian representatives, Rob Pines and New Recruit, finishing sixth and eighth respectively.

Blackalls Boss, trained by Michelle Mallia-Magri, from Lara in Victoria, won the 2012 Group 1 Tattsbet Hobart Thousand by one length from local favourite Rewind with Walk Hard



“A major landmark for Tasracing in 2012/13 was the publication of the Greyhound Animal Welfare Manual.”

a further one-and-a-half lengths away in third place.

The Group 3 Dowling & McCarthy Hankook Tyres Devonport Cup was won by the Graeme Bate-trained Allen Benji from Rewind and Shanlyn Peanut.

The final group race for the season, the Group 2 A Total Car Rentals Launceston Cup, saw Graeme Bate with five starters in the final. He ultimately took out the first four placings with Xylia Allen, Fully Advanced, Schroder Bale and Imry Bale.

Tasmanian bred Bell Haven was by far the most outstanding of the state's interstate campaigners. Since finishing fourth in the AGRA National Distance Championship Grand Final, she campaigned interstate with the following results:

Won the Sydney Cup (Group 3) at Wentworth Park in October 2012.

Won the Summer Cup (Group 3) at Wentworth Park in December 2012.

Second in the Summer Plate (Group 2) at Wentworth Park in January 2013.

Second in the Zoom Top (Group 1) at The Meadows in February 2013.

Second in the Association Cup

(Group 1) at Wentworth Park in March 2013.

Won the Betfair Cup (Group 3) at Wentworth Park in April 2013.

Second in the Sandown Cup (Group 1) at Sandown in May 2013.

Second in the Gold Cup (Group 1) at Albion Park in June 2013.

Bell Haven's litter brother, Jethro, also went interstate and won the Group 1 Hume Cup at The Meadows in October 2012 and finished second in the Group 1 Bold Trease at Sandown in November 2012, while Rewind's litter sister, Strapper's Angel, was placed second in the Group 3 Mandurah Birthday Cup at Mandurah in January 2013.

The Launceston Cup and annual awards dinner was held in February 2013.

Rewind was voted Greyhound of the Year for the second consecutive year after winning 22 races and placing 10 times from 36 starts across Tasmania and New South Wales. In April 2013 he broke the previous record of the most number of wins by a Tasmanian greyhound (54 set by Valiant Spirit) finishing with 60 wins. His record 60 wins, 20 seconds and six thirds from 98 starts demonstrate his greatness

and the ability of his very proud owner/trainer Morrie Strickland.

2012/2013 Award Winners

GREYHOUND OF THE YEAR

- Rewind

LEADING TRAINER

- Anthony Bullock (108 winners for the year).

LEADING OWNER

- Karlene Cuthbertson and Sally Wilson (78 wins during the year).

MOST CONSISTENT GREYHOUND

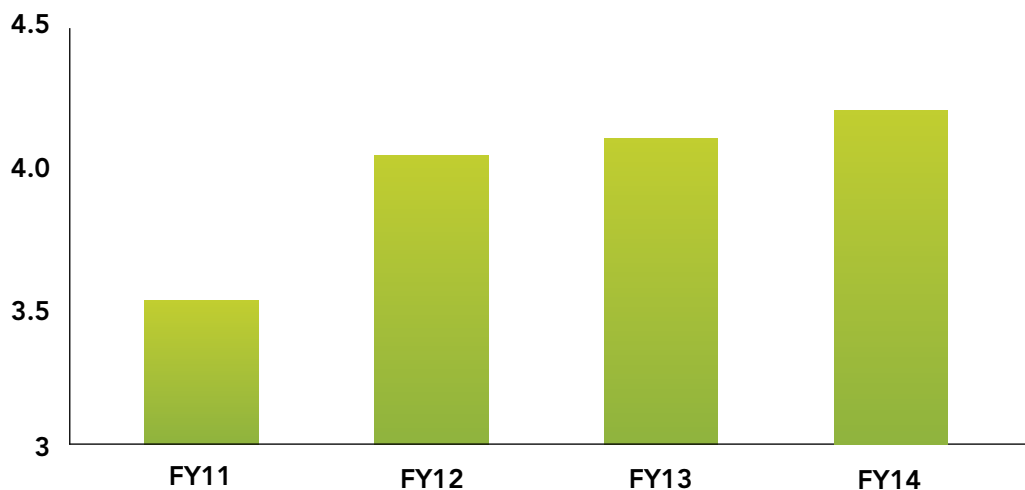
- Rewind (22 wins, 7 seconds & 2 thirds from 33 starts in Tasmania in 2012).

LEADING BROODBITCH

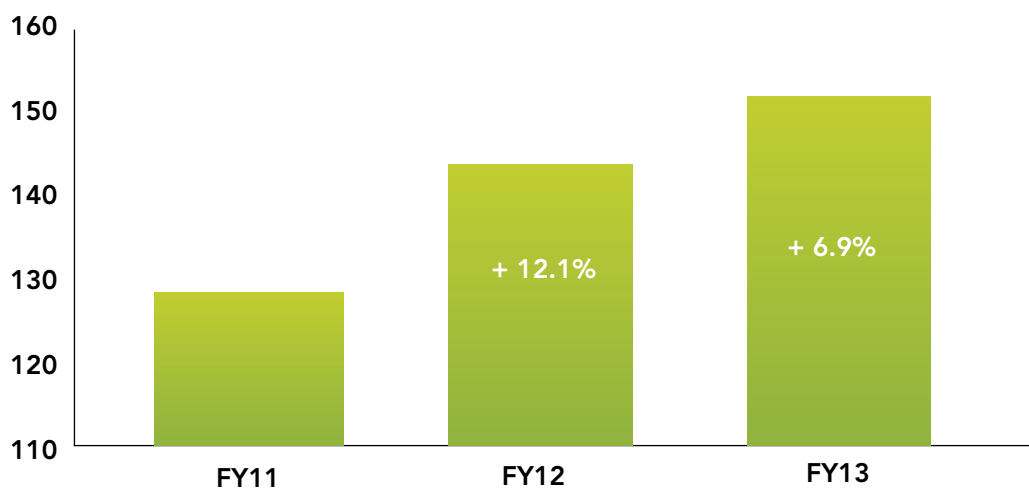
- It's A She (Owned by Leigh Alexander) (It's A She's progeny won 80 races during 2012).

LEADING SIRE

- Where's Pedro (Owned by Tony Lockett in New South Wales) (Where's Pedro's progeny won 150 races in Tasmania during 2012).



Total wagering turnover - Greyhounds (\$ Million)



Greyhound wagering turnover (\$ Million)

Key racing statistics

Greyhounds

	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Meetings	155	157	156	157	157
Races Held	1547	1567	1567	1628	1637
Overall Starters	12025	12193	12219	12663	12814
Average Starters / Race	7.8	7.8	7.8	7.8	7.8



Tasracing Pty Ltd

ANNUAL FINANCIAL REPORT

for the financial year ended 30 June 2013

Directors' Report	30
Statement of Comprehensive Income	31
Statement of Financial Position	32
Statement of Changes in Equity	33
Statement of Cash Flows	34
Notes to the Financial Statements	35
Directors' Declaration	57
Auditor's Independence Declaration	58
Independent Auditor's Report	59

Tasracing Pty Ltd

FINANCIAL STATEMENTS

for the year ended 30 June 2013

Directors' Report

The directors present their report together with the financial report for the financial year ended 30 June 2013 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 2013, the company recorded a net loss before income tax of \$535,941 (2012:loss of \$10,379,276). No dividends were paid to members during the year (2012: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 assumed responsibility for the race day staff and operation of the Tasmanian Racing Club and the Devonport Racing Club during the year 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

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years

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 \$14,084.82 (2012 - \$9,448.12) in respect of insurance for 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 58 of the financial statements.

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



Mr Brian Speers
Chairman
15 August 2013

Tasracing Pty Ltd

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2013

	Note	2013 \$	2012 \$
Revenue and Other Income			
Racing revenue	3	6,827,370	5,833,491
Government grant		29,223,342	28,697,776
Interest revenue		724,155	924,985
Impairment reversal	5	2,472,385	-
TOTAL Revenue and Other Income		39,247,251	35,456,251
Expenses			
Prizemoney and industry funding		23,015,942	23,488,251
Raceday and racing expenses	7	5,242,156	5,329,032
Depreciation and amortisation expense	4	2,896,331	2,902,123
Impairment expense	5	-	5,706,428
Expenses for obsolete property, plant & equipment	13	672,313	-
Marketing		499,192	404,229
Employee benefits expense	10	5,070,215	5,513,297
Finance and leasing costs	6	1,085,863	1,075,587
Other expenses	8	1,301,182	1,416,581
Total Expenses		39,783,193	45,835,527
Loss before tax		(535,941)	(10,379,276)
Income tax expense	11	-	-
Loss for the year		(535,941)	(10,379,276)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(535,941)	(10,379,276)

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

Tasracing Pty Ltd

STATEMENT OF FINANCIAL POSITION

as at 30 June 2013

	Note	2013 \$	2012 \$
Current Assets			
Cash and Cash Equivalents	22 (a)	5,420,610	4,234,914
Trade and Other Receivables	12	1,001,633	1,839,639
Prepayments		661,379	396,656
Total Current Assets		7,083,622	6,471,208
Non-Current Assets			
Property, Plant and Equipment	13	51,064,606	51,732,763
Intangible Assets	14	189,059	-
Total Non-Current Assets		51,253,665	51,732,763
Total Assets		58,337,287	58,203,971
Current Liabilities			
Trade and Other Payables	15	2,143,913	1,293,594
Provisions	18	1,174,220	1,731,543
Other Financial Liabilities	16	149,166	8,471
Total Current Liabilities		3,467,299	3,033,608
Non-Current Liabilities			
Borrowings	17	12,577,715	12,247,988
Provisions	18	1,957,907	2,193,853
Total Non-Current Liabilities		14,535,622	14,441,841
Total Liabilities		18,002,921	17,475,449
Net Assets		40,334,366	40,728,522
Equity			
Contributed Equity	19	55,283,315	55,141,530
Accumulated Losses	20	(14,948,949)	(14,413,008)
Total Equity		40,334,366	40,728,522

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 2013

	Note	Contributed Equity \$	2013 Accumulated Losses \$	2012 Total \$
Balance as at 30 June 2011		55,141,530	(4,033,732)	51,107,798
Profit/(Loss) for the Year	20	-	(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
Equity contribution	19	141,785	-	141,785
Profit/(Loss) for the Year	20	-	(535,941)	(535,941)
Total Comprehensive Income for the year			(535,941)	(535,941)
Balance as at 30 June 2013		55,283,315	(14,948,949)	40,334,366

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

Tasracing Pty Ltd

STATEMENT OF CASH FLOWS

for the year ended 30 June 2013

	Note	2013 \$	2012 \$
Cash Flows from Operating Activities			
Receipts from Customers		39,100,338	36,412,643
Payments to Suppliers & Employees		(37,586,432)	(37,307,026)
Interest Received		727,813	915,804
Interest & Other Costs of Finance Paid		(907,285)	(852,361)
Net Cash provided by Operating Activities	22 (b)	1,334,434	(830,940)
Cash Flows from Investing Activities			
Proceeds from disposal of non-current assets		-	-
Payments for non-current assets		(620,250)	(7,218,473)
Net Cash used in Investing Activities		(620,250)	(7,218,473)
Cash Flows from Financing Activities			
Repayment of Borrowings		(141,785)	(133,659)
Proceeds from Borrowings		471,512	7,517,812
Equity contribution	19	141,785	-
Net Cash Provided by Financing Activities		471,512	7,384,153
Net Increase in Cash and Cash Equivalents		1,185,696	(665,260)
Cash and Cash Equivalents at the beginning of the year		4,234,914	4,900,174
Cash and Cash Equivalents at end of the year	22 (a)	5,420,610	4,234,914

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 2013

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 the 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 2013

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 15 August 2013.

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 presented in Australian dollars, unless otherwise noted.

Going concern

The financial statements have been prepared on the going concern basis. During the year, the company commenced a consultation process with racing industry participants on sustainability which highlighted the company's structural funding gap. The improvement in the pre-impairment loss of the business together with the working capital improvements have placed Tasracing in a position to be able to pay its debts as and when they fall due for the foreseeable future and hence be able to prepare the FY13 financial statements on the going concern basis. These improvements have helped minimise the structural funding gap. However, a funding gap remains and still needs to be addressed to achieve sustainability.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the 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 13 includes disclosure on key assumptions.

Defined benefit superannuation fund obligations

Various actuarial assumptions are utilised in the determination of the Tasracing's defined benefit superannuation fund obligations. These assumptions are discussed in note 18.

Employee entitlements

Judgement is applied in determining the following key assumptions used in the calculation of long service leave at reporting date;

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

tasBonus

The expected future bonus payments have been reviewed 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 is disclosed in Note 18.

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.

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 116 Property Plant and Equipment – This standard clarifies the treatment of spare parts, standby equipment and servicing equipment. The amendments will not have a material impact of the carrying amount of Property Plant and Equipment.

AASB 119 Employee Benefits – This Standard supersedes AASB 119 Employee Benefits, introducing a number of changes to accounting treatments.

The amendment to AASB 119 removes the options for accounting for the liability, and requires that the liabilities arising from such plans are recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 20123

2. Significant accounting policies (cont.)

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. The amendments are not expected to have a material impact on the liability or the statement of comprehensive income.

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 amount 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 \$1,000. Assets valued at less than \$1,000 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:

Leasehold improvements	Term of the lease or life of the asset
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 years
---------------------------------	---------

(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 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

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

2. Significant accounting policies (cont.)

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. Impairment losses are allocated prorata across assets in the cash generating unit.

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. The impairment reversal is allocated prorata across assets in the cash generating unit.

(d) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a 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. The future cost is based on empirical win ratios applied to current terms and race programming.

A provision is created for the expected future cost of injuries covered under the company's workers compensation policy. The cost of the policy to the company varies between a minimum and maximum premium each insurance year. The details are disclosed at note 21.

(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 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 evidence that, as a result of one or more events that occurred after the initial

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

2. Significant accounting policies (cont.)

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 attaching 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 subject to the conditions of a funding deed.

Rental income

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

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

2. Significant accounting policies (cont.)

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 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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

2. Significant accounting policies (cont.)

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.

(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

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

3. Racing Revenue	2013	2012
	\$	\$
Racefield revenue	5,129,964	4,708,573
Sponsorship income	489,695	398,818
Rental income	276,189	257,674
Other income	931,522	468,425
	<u>6,827,370</u>	<u>5,833,491</u>

4. Depreciation & Amortisation Expense

Depreciation of Non-Current Assets:

Plant & Equipment	358,689	440,027
	<u>358,689</u>	<u>440,027</u>

Amortisation of Non-Current Assets:

Racecourse Leasehold Improvements	2,496,856	2,457,217
Intangibles	40,786	4,880
	<u>2,537,642</u>	<u>2,462,096</u>
	<u>2,896,331</u>	<u>2,902,123</u>

5. Impairment expense and reversal

Impairment of Non-Current Assets

Intangibles	-	1,220
Racecourse Leasehold Improvements	(2,472,385)	5,705,208
	<u>(2,472,385)</u>	<u>5,706,428</u>

6. Finance and Leasing Costs

Finance Costs

Interest Cost in relation to Defined Benefit Obligation (see note 18)	82,000	119,000
Interest Expense	907,285	852,361
	<u>989,285</u>	<u>971,361</u>

Leasing Costs

Occupancy Lease Rentals	79,605	55,059
Plant & Equipment Lease Rentals	16,973	49,167
	<u>96,578</u>	<u>104,226</u>
	<u>1,085,863</u>	<u>1,075,587</u>

7. Raceday and Racing Expenses

Training and Racing Facilities	3,111,029	2,705,046
Race Day & Other Racing Expenses	1,459,532	1,315,101
Insurance	671,595	1,308,885
	<u>5,242,156</u>	<u>5,329,032</u>

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

8. Other Expenses	2013	2012
	\$	\$
Insurance	378,509	367,880
Administration	745,402	872,229
Other	177,270	176,473
	<u>1,301,182</u>	<u>1,416,581</u>

9. Remuneration of Auditors

Auditing the Accounts (i)

(i) The auditor is the Tasmanian Audit Office	35,190	33,840
---	--------	--------

10. Employee Benefit Expense	2013	2012
	\$	\$
Wages and salaries	4,491,717	4,390,849
Other associated personnel expenses	347,683	392,575
Contributions to defined contribution superannuation funds	378,000	421,101
Impact of defined benefit scheme (excluding interest cost)	(319,000)	67,000
Increase in liability for annual leave	77,667	22,101
Increase in liability for long service leave	94,149	219,670
	<u>5,070,215</u>	<u>5,513,297</u>

11. 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	-	-
<u>Total tax expense/(revenue) relating to continuing operations</u>	<u>-</u>	<u>-</u>

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

Profit/(loss) from continuing operations	(535,941)	(10,379,276)
Income tax equivalent expense calculated at 30%	(160,782)	(3,113,783)
Effect of expenses that are not deductible in determining taxable profit	5336	4,169
Effect of concessions and other allowances	-	-
<u>Current Income tax benefit not recognised in profit or loss</u>	<u>155,446</u>	<u>3,109,614</u>
<u>Current income tax expense/(income) in respect of the current year</u>	<u>-</u>	<u>-</u>

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

	2013	2012
	\$	\$
Deferred tax balances		
Deferred tax assets not recognised		
Deferred tax assets not recognised at the reporting date:		
Tax losses (revenue)	2,548,185	1,983,318
Temporary differences	4,431,213	5,397,589
	<u>6,979,398</u>	<u>7,380,907</u>

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

	Opening balance	Not recognised in	Recognised	Closing
	\$	profit and loss	directly in	balance
2013	\$	\$	equity	\$
Temporary differences				
Property, plant and equipment	4,133,529	(882,720)		3,250,810
Employee entitlements	1,240,552	(72,728)		1,167,823
Doubtful debts	16,885	(10,929)		5,957
Accrued Audit Fees	6,623	-		6,623
	<u>5,397,589</u>	<u>(966,377)</u>	-	<u>4,431,212</u>
Unused tax losses and credits				
Tax losses	1,983,318	564,867		2,548,185
	<u>7,380,907</u>	<u>(401,510)</u>	-	<u>6,979,397</u>

	Opening balance	Not recognised in	Recognised	Closing
	\$	profit and loss	directly in	balance
2012	\$	\$	equity	\$
Deferred tax balances				
Temporary differences				
Property, plant and equipment	2,117,440	2,016,089		4,133,529
Employee entitlements	1,114,631	125,921		1,240,552
Doubtful debts	9,648	7,238		16,885
Accrued Audit Fees	3,750	2,873		6,623
	<u>3,245,469</u>	<u>2,152,120</u>	-	<u>5,397,589</u>
Unused tax losses and credits				
Tax losses	971,865	1,011,453		1,983,318
	<u>4,217,333</u>	<u>3,163,574</u>	-	<u>7,380,907</u>

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

12. Trade and Other Receivables	2013	2012
	\$	\$
Trade Receivables (i)	1,008,325	1,879,102
Provision for Impairment	(19,849)	(56,279)
	988,476	1,822,824
Interest Receivable	13,157	16,815
	1,001,633	1,839,639

(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	18,599	4,700
60-90 Days	8,153	183,681
90-120 Days	6,418	2,574
120+ Days	148,761	37,186

Included in the trade receivables balance are debtors with a carrying amount of \$181,931 (30 June 2012: \$228,141) 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	(56,278)	(32,154)
Impairment losses recognised on receivables	-	(49,333)
Amounts recovered during the year	-	-
Amounts written off as uncollectable	36,430	25,209
Balance at end of year	(19,848)	(56,278)

Ageing of impaired trade receivables

30-60 Days	-	-
60-90 Days	-	-
90-120 Days	-	-
120+ Days	(19,848)	(56,278)

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

13. Property, Plant and Equipment

	Racecourse Leasehold Improvements \$	Plant & Equipment \$	Property Under Construction \$	TOTAL \$
Gross Carrying Amount				
Balance as at 30 June 2011	60,337,804	4,494,877	4,273,245	69,105,926
Additions	806,290	263,010	6,153,060	7,222,360
Disposals	-	-	-	-
Reclassification	9,706,103	-	(9,706,103)	-
Balance as at 30 June 2012	70,850,198	4,757,887	720,202	76,328,286
Additions	(293,559)	96,631	584,245	387,317
Disposals	-	-	-	-
Reclassification	1,178,831	-	(1,178,831)	-
Balance as at 30 June 2013	71,735,470	4,854,517	125,616	76,715,604
Accumulated Depreciation / Amortisation				
Balance as at 30 June 2011	13,265,986	2,723,199	-	15,989,185
Depreciation & Amortisation	2,458,449	442,681	-	2,901,130
Impairment expense	5,635,404	69,804	-	5,705,208
Balance as at 30 June 2012	21,359,839	3,235,684	-	24,595,523
Depreciation & Amortisation	2,496,857	358,689	-	2,855,546
Expense for obsolete property, plant and equipment	672,313	-	-	672,313
Impairment reversal	(2,408,327)	(64,058)	-	(2,472,385)
Balance as at 30 June 2013	22,120,682	3,530,315	-	25,650,997
Net Book Value				
Cost	60,337,804	4,494,877	4,273,245	69,105,926
Accumulated depreciation	(13,265,986)	(2,723,199)	-	(15,989,185)
Provision for impairment	-	-	-	-
As at 30 June 2011	47,071,818	1,771,678	4,273,245	53,116,741
Cost	70,850,198	4,757,887	720,202	76,328,286
Accumulated depreciation	(15,724,435)	(3,165,880)	-	(18,890,315)
Provision for impairment	(5,635,404)	(69,804)	-	(5,705,208)
As at 30 June 2012	49,490,358	1,522,202	720,202	51,732,763
Cost	71,735,470	4,854,517	125,616	76,715,604
Accumulated depreciation	(18,893,605)	(3,524,569)	-	(22,418,174)
Provision for impairment	(3,227,077)	(5,746)	-	(3,232,823)
As at 30 June 2013	49,614,788	1,324,202	125,616	51,064,606

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 2014-2018. The impairment calculation demonstrated that non-current assets were not impaired. An impairment charge of \$5,706,428 was recognised in FY2012 and \$2,472,385 has reversed in FY2013. The company has one cash generating unit comprising the racing and training venues. The discount rate used was 9.95% (2012 - 10.6%). The terminal value of the cash flow in the final year of the forecast was derived using a perpetuity rate of 10.0% (2012 - 9.4%).

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

Obsolete assets

The company is undertaking the implementation of a strategic asset management plan. The implementation has included a comprehensive review and verification of all of the company's assets. During this process, the company has identified assets which are obsolete or at the end of their useful lives and the carrying value of these assets of \$672,313 has been reduced to nil.

Sensitivity

The value in use calculations are sensitive to the discount factor. A 0.5% alteration in the discount factor varies the value in use by \$2.8m. A \$0.5m alteration in the key income or expenses such as race field revenue or workers compensation costs varies the value in use by \$4.9m.

The value in use calculations assume that the company adjusts its business model to achieve sustainability in FY15. If appropriate adjustments to the business model are not achieved in this timeframe, the company will be exposed to significant impairment on its non-current assets.

14. Intangible Assets

	Website and Software
	\$
Gross Carrying Amount	
Balance as at 2011 and 2012	14,639
Additions	229,844
Balance 30th June 2013	244,483
Accumulated Amortisation	
Balance as at 30 June 2012	8,539
Amortisation	4,880
Impairment	1,220
Balance as at 30 June 2012	14,639
Amortisation	40,785
Impairment	-
Balance as at 30 June 2013	55,424
Net Book Value	
As at 30 June 2011	6,100
As at 30 June 2012	-
As at 30 June 2013	189,059

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

	2013	2012
	\$	\$
15. Trade & Other Payables		
- Trade Payables - unsecured (i)	2,143,913	1,293,594

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

16. Other Financial Liabilities

- Rental bonds	149,166	8,471
	149,166	8,471

17. 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)	2,854,556	2,996,341
Bond	(ii)	-	9,000,000
Overnight deposit	(iii)	-	251,648
Credit foncier loan	(iv)	9,723,160	-
Unsecured - at amortised cost		12,577,715	12,247,988

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

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, the overnight deposit and the credit foncier loan.

(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. The State Government has agreed to provide support for principal and interest repayments for the three years commencing 1 July 2012. The principal support is treated as an equity contribution.

(ii) Bond - A bond of \$9m was procured at a fixed interest rate of 4.92% which matured at 28 June 2013 and was refinanced into the credit foncier loan. (see iv)

(iii) Overnight deposit - borrowings are held on overnight deposit at floating interest rates

(iv) Credit foncier - the overnight deposit and \$9m loan were refinanced into a credit foncier loan on 28 June 2013. Six monthly repayments of principal and interest will be made through to expiry (2029). Interest has been fixed for the ten years at (5.13%) per annum.

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

18. Provisions	2013	2012
	\$	\$
Current:		
Annual leave	333,611	308,428
Long service leave	266,227	277,891
Defined benefit liability	80,000	100,000
tasBonus scheme	295,173	300,015
Workers compensation	199,209	745,209
	1,174,220	1,731,543
Non-Current		
- Long Service Leave	162,907	128,853
- Defined benefit liability	1,795,000	2,065,000
	1,957,907	2,193,853
Total provisions	3,132,127	3,925,396

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 2013 by Dr David Knox, Fellow of the Institute of Actuaries of Australia.

	2013	2012
	\$	\$
Reconciliation of the Defined Benefit Obligation		
Present value of defined benefit obligations at beginning of the year	2,429,000	2,222,000
Current service cost	53,000	44,000
Interest cost	82,000	120,000
Estimated contributions by plan participants	12,000	4,000
Actuarial gains/losses	(365,000)	88,000
Estimated benefits paid	(66,000)	(48,000)
Estimated taxes, premiums & expenses paid	(3,000)	(1,000)
Present value of defined benefit obligations at end of the year	2,142,000	2,429,000

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

	2013	2012
	\$	\$
Reconciliation of the Fair Value of Scheme Assets		
Fair value of plan assets at the beginning of the year	264,000	220,000
Expected return on plan assets	20,000	15,000
Actuarial gains/losses	(13,000)	50,000
Estimated employer contributions	53,000	24,000
Estimated contributions by plan participants	12,000	4,000
Estimated benefits paid	(66,000)	(48,000)
Estimated taxes, premiums & expenses paid	(3,000)	(1,000)
Fair value of plan assets at the end of the year	267,000	264,000

Reconciliation of the Assets and Liabilities Recognised in the Statement of Financial Position

Defined benefit obligation	2,142,000	2,429,000
Fair value of plan assets	(267,000)	(264,000)
Net superannuation liability/(asset)	1,875,000	2,165,000
Current net liability	80,000	100,000
Non-current net liability	1,795,000	2,065,000

Expenses recognised in the Statement of Comprehensive Income

Service cost	53,000	44,000
Expected return on assets	(20,000)	(15,000)
Actuarial gain/loss	(352,000)	38,000
Superannuation expense/(income)	(319,000)	67,000
Interest cost	82,000	119,000

Expenses are included in Employee Benefits Expense at Note 10 with the exception of the Interest Cost which is included in Note 6 Finance and Leasing Costs.

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

Australian equities	27%	25%
Overseas equities	19%	18%
Fixed Income	12%	24%
Property, infrastructure and other alternative assets	15%	17%
Alternatives/Other	24%	24%
Cash	3%	4%

Principal actuarial assumptions at the Statement of Financial Position Date

Discount Rate	4.25%	3.45%
Expected rate of return on plan assets [^]	N/A	7.50%
Expected salary increase rate	3.00%	3.50%
Expected rate of increase compulsory preserved amounts	3.75%	4.50%
Expected pension increase rate	2.50%	2.50%

[^]The expected return on assets is no longer applicable from 30 June 2013 due to the revised accounting standard.

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

	2013 \$	2012 \$
Historical Information		
Present value of defined benefit obligation	2,142,000	2,429,000
Fair value of plan assets	267,000	264,000
Surplus/(deficit) in plan	1,875,000	2,165,000
Experience adjustments (gain)/loss - plan assets	13,000	(51,000)
Experience adjustments (gain)/loss - plan liabilities	(74,000)	(397,000)
Defined Contribution Plans		
Contributions to defined contribution plans	378,000	421,101

19. Issued Capital

	2013 \$	2012 \$
Fully paid shares (30 June 2013 and 30 June 2012: 2)	55,283,315	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.

The support received for the loan in note 17(i) is treated as an equity contribution.

20. Accumulated Losses

Balance at the beginning of the year	(14,413,008)	(4,033,732)
Net Profit/Loss	(535,941)	(10,379,276)
Balance at the end of the year	(14,948,949)	(14,413,008)

21. 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	229,773	193,143
- later than 1 year but not later than 5 years	516,912	298,095
- later than 5 years	430,271	430,436
Current leases in place are for IT equipment, motor vehicle fleet and leasehold properties and race tracks.	1,176,957	921,675

(ii) Capital Expenditure Commitments

Leasehold Improvements

Contractual commitments for the acquisition of property, plant equipment:

- not later than one year	-	-
---------------------------	---	---

(iii) Other Contractual Commitments

Non-cancellable contracts payable:

- not later than one year	1,041,734	138,451
- later than 1 year but not later than 5 years	3,428,988	69,319
- later than 5 years	71,000	-
Commitments in place are for general property maintenance service agreements.	4,541,721	207,770

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

(iv) Contingent Liabilities

The company has a workers compensation insurance policy for the year ending 31 January 2014. The premium varies between a minimum of \$600,000 and a maximum of \$2,100,000 or 23.3% of annual wages, whichever is the higher. At 30 June 2013, the injuries incurred in the insurance year are less than the minimum premium. The company is exposed to a contingent liability of approximately \$1,500,000 being the difference between the maximum and minimum premiums and this is dependant upon the nature and extent of the injuries that occur.

22. Cash Flow	2013	2012
	\$	\$
(a) Cash and Cash Equivalents		
Cash on Hand and Balances with Banks	5,420,610	4,234,914
(b) Reconciliation of profit for the year to net cash flows from operating activities		
Loss for the year	(535,941)	(10,379,276)
Adjustments for:		
Depreciation & Amortisation	2,896,331	2,902,123
Impairment	(2,472,385)	5,706,428
Expense for obsolete property, plant & equipment	672,313	-
(Increase)/decrease in receivables	838,006	8,926
(Increase)/decrease in prepayments	(264,723)	605,934
Increase/(decrease) creditors & accruals	443,261	(45,604)
Increase/(decrease) in provisions	(242,427)	375,192
Increase/(decrease) other current liabilities	-	(4,663)
Net cash from operating activities	1,334,433	(830,940)
(c) Financing Facilities		
Credit and Stand By arrangements		
Business Cards		
- amount used	67,000	62,000
- amount unused	43,000	48,000
Facility Limit	110,000	110,000
Tascorp borrowing facilities		
- amount used	12,577,715	12,247,988
- amount unused	30,276,840	30,748,352
Facility Limit	42,854,556	42,996,340

23. Economic Dependency

A significant proportion of Tasracing's revenue is dependent on a funding deed through to 2029 with the State government which provides base funding of \$28.3m increasing by CPI less 1% annually. In addition, the deed allows for a \$40M debt facility with Tascorp of which Treasury will provide support in the form of principal and interest reimbursements, subject to certain conditions.

24. 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 17, cash and cash equivalents and equity attributable to equity holders of the entity, comprising contributed equity and retained earnings as disclosed in notes 19 and 20 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.

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

(b) Categories of financial instruments

	2013	2012
Financial Assets	\$	\$
Cash and cash equivalents	5,420,610	4,234,914
Loans & Receivables	1,001,633	1,839,639
Financial Liabilities		
Amortised Cost		
- Trade and Other Payables	2,143,913	1,293,594
- Other financial liabilities	149,166	8,471
- Borrowings	12,577,715	12,247,988

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 receivable / 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	184,000	(184,000)	184,000	(184,000)
30-Jun-13	188,000	(188,000)	188,000	(188,000)

(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 12.

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

(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.

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 2013						
Financial Assets						
Cash and cash equivalents	5,420,610				5,420,610	2.62%
Trade & Other Receivables	1,001,633				1,001,633	
Total Financial Assets	6,422,243	-	-	-	6,422,243	2.62%
Financial Liabilities						
Trade and other payables	2,143,913				2,143,913	
Other financial liabilities	149,166				149,166	
Borrowings	552,552	582,880	3,953,148	7,489,136	12,577,715	5.38%
Total Financial Liabilities	2,845,631	582,880	3,953,148	7,489,136	14,870,794	5.38%
	< 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						
Trade and other payables	1,293,594				1,293,594	
Other financial liabilities	8,471				8,471	
Borrowings	141,784	150,405	2,704,151	9,251,648	12,247,988	5.18%
Total Financial Liabilities	1,443,849	150,405	2,704,151	9,251,648	13,550,053	5.18%

25. 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. No performance incentives exist for the current members of the executive.
- The remuneration committee reviews key management personnel packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors.

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

Consistent with legislated requirements, key management personnel receive a superannuation guarantee contribution, which is currently 9% (9.25% from 1 July 2013), 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. 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.

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 2013

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)

Executive Management

- E. Forbes (Chief Operating Officer) (appointed July 2010) (Chief executive Officer) (from 1 August 2012)
- C. Brookwell (Chief Financial Officer) (appointed August 2011)
- G. Lottering (Chief Executive Officer) (until 31 July 2012)
- D. Bones (Chief Financial Officer) (until September 2011)

During 2013, the Executive Management team reduced to 2 roles from 31 July 2012 (2012 - 3 roles).

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

Table of Benefits and Payments for the Year Ended

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

30 June 2013	Cash			Other				Total
	Number of employees	Total base Salaries	Bonuses	Termination Payments	Superannuation	Vehicles	Other Benefits	
Board								
\$40,001-\$80,000	1	49,901	-	-	4,491	-	-	54,392
< \$40,000	6	170,145	-	-	12,286	-	-	182,431
Total	7	220,046	-	-	16,777	-	-	236,823

Executive Management	Cash			Other				2013
	Number of employees	Total base Salaries	Bonuses	Termination Payments	Superannuation	Vehicles	Other Benefits	Aggregate Remuneration
	3	393,526	-	54,969	40,365	22,771	-	511,631
Total	3	393,526	-	54,969	40,365	22,771	-	511,631
								Aggregate Remuneration
								2012 \$581,710
								2011 \$560,347

30 June 2012	Cash			Other				Total
	Number of employees	Total base Salaries	Bonuses	Termination Payments	Superannuation	Vehicles	Other Benefits	
Board								
> \$40,000	1	49,657	-	-	4,469	-	-	54,126
< \$40,000	6	166,253	-	-	12,122	-	-	178,375
Total	7	215,909	-	-	16,591	-	-	232,501

Executive Management	Cash			Other				Total
	Number of employees	Total base Salaries	Bonuses	Termination Payments	Superannuation	Vehicles	Other Benefits	
	4	474,221	17,903	0	42,680	46,905	0	581,710
Total	4	474,221	17,903	0	42,680	46,905	0	581,710

The termination payment of \$54,969 includes contractual payments for accrued annual and long service leave only.

26. Transactions or Balances relating to a trustee or agency arrangement

Account	Opening Balance	Net Transactions during 2012/13	Closing Balance
	\$	\$	\$
Tasmanian Perpetual Trustees - Apprentice Trust Accounts	140,419	103,279	243,698

Tasracing Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

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 2013.

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, 15 August 2013

2 September 2013

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 2013, 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.

In accordance with 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



Independent Auditor's Report

To the Members of Tasracing Pty Ltd

Financial Report for the Year Ended 30 June 2013

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 2013, 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 2013 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.

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

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
2 September 2013

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

