HARNESS RACING SA

ANNUAL REPORT 2019 - 2020

Harness Racing SA

CONTENTS

CHAIRMAN'S REPORT	3
BOARD OF DIRECTORS	4
CEO'S REPORT	5-6
STEWARDING & INTEGRITY	7-8
RACING OPERATIONS	9-10
CORPORATE GOVERNANCE STATEMENT	11-12
CONTENTS PAGE OF FINANCES	14
DIRECTORS REPORT	15-16
STATEMENT OF FINANCIAL PERFORMANCE	17
STATEMENT OF FINANCIAL POSITION	18
STATEMENT OF CHANGES IN EQUITY	19
STATEMENT OF CASH FLOW	20
NOTES TO THE FINANCIAL STATEMENTS	21-28
DIRECTORS DECLARATION	29
INDEPENDENT AUDIT REPORT	30-31
AUDIT SERVICES	32-36
AUDITORS DECLARATION	37

All photos courtesy: Arclight Photography

CHAIRMANS REPORT

What a ride it's been over the past 12 months. It's been a year full of learnings for all of us, I find it hard to believe I've only been in the role for 12 months and it's fair to say it feels like I've been involved in harness racing for years.

My role as the Chairman of HRSA and that of the board is to **Protect, Promote, Grow and Develop** Harness Racing in SA.

We started the year going to the industry for feedback on what they thought was going well and what we needed to work on. This has been our template for the year and here is our scorecard to date:

- ✓ INCREASE WAGERING
- ✓ INCREASE STAKEMONEY
- ✓ INCREASE NO. OF RACES
- ✓ PROFITABLE / SUSTAINABLE
- ✓ HORSE POPULATION
- ✓ INTEGRITY AND WELFARE
- = INDUSTRY PROFILE

COVID-19 gave us a great opportunity to go back to basics. The efforts of CEO Ross Neal and his team were outstanding to keep us racing and incident free.

The can do attitude of the participants kept us racing and we even added additional race meetings, which highlighted how good Tuesday night was from a wagering perspective. This enabled us to give back to the industry and introduce the $10,000 Super Saturday which has run every month since July.

The lesson we learnt was to challenge the norm and that if you are consistent with your product, the punters will support you.

The board and the management team have spent countless hours on the future of harness racing and the roles of the racing clubs. We believe there is a future for regional racing and the clubs, and we see the clubs playing an important role in breeding and growing the industry in SA. Another focus of the board was becoming SA centric: -

- To stop the flow of major prizemoney over the border
- To modify the handicapping system for SA racing
- To enable combo meetings between racing clubs at Port Pirie and Mt Gambier

All these initiatives plus increasing prizemoney we believe will lead to an increase in the horse population and breeding programs.

Unfortunately, I have to mention the disappointment of the harness racing industry in which is the SAHRC.

The HRSA Board are seriously concerned about the direction being embarked upon by SAHRC management which has ultimately resulted in mass resignation of nearly half the club's Management Committee.

I encourage the SAHRC members to involve yourself in your club's activities and clearly direct the SAHRC Management Committee on the correct path to prosperity and longevity.

As a board we will treat SAHRC as our landlord only and we have 18 months of our lease to run.

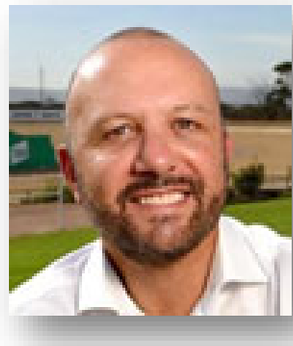
We are currently planning for 2022, and having great discussions with the other racing codes and the State Government to secure our future.

The initiatives undertaken by many of our members has meant that we are some way down this path to long-term survival but the pressure will not release and we need to always be looking at innovation and ideas to sustain us into the future.

Finally, I would like to personally thank my fellow and past Directors and all HRSA staff for their dedication to harness racing and contributions during the season.

Thank you for your support.

George Fiacchi
CHAIRMAN



BOARD OF DIRECTORS

George Fiacchi
Chairman
Commenced 1 October 2019

Scott Barclay,
Director
Commenced 1 October 2018

Marc Taintey
Director
Commenced 1 October 2019

Emma Grigson
Director
Commenced 1 October 2019

Roland Roccioletti
Director
Commenced 1 October 2014

John Levy
Director
Commenced 1 October 2011

CEO REPORT

It's a pleasure to submit my annual report to the HRSA membership.

2019-20 has been a season like no other. While the early part of the season progressed without significant issue, the Covid-19 outbreak in March took us down a path not previously seen in our lifetimes.

Covid-19

As a management team we were compelled to act swiftly when confronted with the rapid onset of Covid, to ensure that racing could continue, and importantly, that those actively contributing to harness racing in the state did not lose the opportunity to race their horses throughout the currency of the pandemic. In consequence, we successfully argued our case with the authorities and harness racing was permitted to continue, albeit with restrictions. We, as an industry, were fortunate that we were not as grossly affected as most other sporting pastimes and activities.

As a consequence of the pandemic we had to make changes to our operations to protect both our participants and the industry as a whole. These changes, which included centralisation of racing at Globe Derby Park and a reduction of our race day footprint (smaller field sizes, less races), together with the understanding of, and acceptance by the greater SA harness racing community, greatly assisted the industry to continue racing without interruption.

However, while we managed to remain racing, a number of our country race meetings were unfortunate causalities of the pandemic, with meetings lost due to the stringent requirements imposed. We look forward to rectifying the ledger with respect to our country members over the coming months.

While many of the changes and impositions caused many of us concern there were nonetheless some positives emanating from the crises, the foremost of these being the establishment of Tuesday night racing. These meetings proving popular with both participants and punters alike, with wagering on our Tuesday night meetings growing exponentially throughout the period of restrictions. The success of Tuesday's proving that, while once not being successful (Tuesday's previously producing poor outcomes) this does not define the way forward ad infinitum, but rather we need to continue to innovate and not simply rely upon historical precedent to dictate our decision-making processes.

One of the learnings coming out of the pandemic is the need to change when confronted with challenges. While Covid forced change in an accelerated way (through necessity) there will nonetheless be many other changes required if we are to remain relevant in an ever-changing operating environment.

Harness racing, like all racing, is having to confront pressure from the many other gambling offerings populating the greater wagering landscape. In consequence, we need to proactively meet the challenges and adapt with inventiveness and fresh ideas, if we are to remain both relevant and prosperous in the years to come.

Finance

The past financial year saw many changes with one such change, now completed, being the migration of the HRSA Board to a fully independent board, with diversity of experience being central to its function.

I look forward to working with the Board to develop and implement the changes required to drive our wonderful industry forward.

CEO REPORT (continued)

One other significant change which occurred during the year was the permanent change to the racing calendar. The extension of the season through to 31st December is seen as being significantly beneficial, not only for providing enhanced racing opportunities, but also by way of showcasing our sport, this through having the majority of our feature races at much more influential times of the year.

From an internal operational perspective, the season in review has been one of consolidation. Early on in the year HRSA Management embarked on the path of critically analysing our business with the intent of rationalising industry costs. The aim of this exercise being to return as much of our revenue as possible back into the hands of those so actively contributing to the SA harness racing fabric. To this end we have made significant savings in our operations to where we are returning in excess of 63% of our income back into industry participants hands- this percentage being at the top end nationally- all codes.

It was most pleasing that the Board achieved a modest operating profit. This has been achieved by way of having a much better understanding of our business, maximising our revenue potential and critically managing expenditure.

Challenges

However, while it is most important to manage our cost structure, the challenge moving forward will always be that of maximising turnovers to greater benefit those active within the overall SA harness racing dynamic. This challenge is a significant one given the very much diluted and deregulated wagering landscape we now operate in. For as we know, revenue drives prizemoney and prizemoney encourages investment in horses that benefit the industry overall in the state.

During the year the Board embarked on a number of different strategies to help grow harness racing in SA. Of particular concern to the Board was the `leakage' of effectively SA money finding its way interstate, and not back into the hands of those very much active within our state boundaries. The SA First initiative is central to Board thinking and one seen as critical in the overall fabric of SA harness racing.

One of the other operational changes made this year was to the National Rating (NR) handicap system. The NR system, which has now completed a full year of operation, continues to galvanise plenty of comment, and criticism, with the major issues being that of complexity and understanding.

In recognising the issues HRSA has taken the lead by adapting the NR system to best suit our own individual circumstances. These adaptations are uniquely SA centric and better provide for our horse population, owners and trainers.

Members

I would like to make mention of all members of our organisation outside the metropolitan areas. These being our country club members. These clubs are the unsung heroes of our business and they work tirelessly to retain the harness racing presence throughout the state. HRSA is committed to ensuring that country racing remains a pivotal part of our business. However, as a consequence of a number of elements, including; urban drift, decreasing horse numbers and the singular reluctance of those domiciled closer to the metropolitan hub to travel beyond their line of sight, the majority of country areas will continue to face significant challenges over the next few years. The challenge for HRSA leadership being to ensure that racing in the provinces remains vibrant and healthy.

Acknowledgements

I would like to sincerely thank the team at HRSA for all their effort and contributions during the year. Management and staff faced many unfamiliar challenges this year and all were met head-on and with determination to arrive at the absolute best outcome for the industry.

At this point I would like to thank SA BOTRA for assisting at GDP race meetings by stepping in and ensuring our participants were properly provided for with food and drinks.

The Future

Finally, having been in the role for two years now it has become clear to me that for the industry to move forward hard decisions will have to be made. Decisions that will shape the industry for the next decade and beyond. In my view these decisions will need to be underwritten by one overarching consideration – growth. As for far too long harness racing in SA has been meandering down a path of decline, and acquiescing to factors negatively impacting the future of the industry in the state.

We need to remain firmly entrenched at the top of the cliff dictating our own destiny: not remain entrenched at the bottom picking up the pieces.

STEWARDING & INTEGRITY

I am pleased to present the Integrity Department report for the 2019/20 racing season.

I write this report having advised Ross Neal that I will no longer continue in the role as Chairman of Stewards with HRSA as of the 13th of November 2020, a decision which was difficult to reach, but for personal reasons necessary.

I would like to take this opportunity to thank Ross and the HRSA Board for showing confidence in me and my ability to fill the role. Ross has been a tremendous support to me during my time as COS, he has provided direction and advice when needed enabling me to fill the role adequately.

It is important that I acknowledge the input of the Stewards department throughout the past year and I have been ably assisted by initially Aron Quinton, who has since moved into an administrative role with Thoroughbreds SA, and Peter Lawrence who continues to develop as a Steward, so much so he is now Chairing meetings. Graham Loch will be moving into the position as acting Chairman of Stewards and will be ably assisted by Peter Lawrence and Ian Devitt who is a part time Steward with HRSA.

Operations

What a year we have had, COVID19 became an issue in late February and put the racing industry as a whole in a spin, but with consultation between all codes and the State Government we were able to continue racing. However, if not for the efforts of Ross Neal and Leanne Ewen, in particular, along with all the participants, racing would have ceased which would have been fatal for the industry had that occurred. The 2019/20 season again had a variety of race day and non-race day issues. Like previous seasons there were a number of prohibited substance results, two trainers had high levels of Arsenic present in their horses, which resulted in substantial fines, this is in line with penalties applied in other states. Unfortunately these results draw unwanted attention to the harness racing sport and it is imperative, moving forward, that we strive to make our sport as drug free as it can be. As every time a horse tests positive this has a detrimental impact on the reputation of harness racing.

This year Stewards had to deal with several inappropriate publications on social media platforms, such as Twitter and Face Book and this area will need to be monitored more stringently moving forward, as there are serious issues around bullying and harassment when it comes to comments on social media. Conduct issues appear to be on the decline, however Stewards will continue to remind participants that holding a licence in harness racing will always remain a privilege not a right, and all those engaging in unacceptable behaviour need to think before they act and conform to the highest standards of both behaviour and professionalism.

Stewards have conducted sixty-eight stable inspections throughout the 2019/20 season but on fourteen occasions no one was present at the property, which is a better result than previous seasons and this may be as a direct result of COVID19 restrictions and people working from home or not at all

STEWARDING & INTEGRITY (CONTINUED)

Whip

The whip continues to be a concern for the industry as a whole and Harness Racing Australia have made it abundantly clear that more work needs to be done in respect to whip use, as a consequence there has been an amendment to the whip rules and Stewards have adjusted the penalties applied to drivers who fail to apply the whip in the approved manner, it does appear that drivers are attempting to comply with the new rules, however there is still room for further improvement, which is apparent by the number of fines which have been issued..

Racing

The quality of our product continues to be a work in progress but has not been made easy with the new "National Rating System." Ross Neal, George Fiacchi and David Thuen have worked hard to design a modified system, that suits the horse population and stake money level that is specific to South Australia, and we are just starting to see the results of their hard work. The Racing Office, along with the CEO and Chairman of the Board continue to look for ways to attract additional horses to SA, as well as stimulate the breeding industry but this will always be a challenge for continual improvement, but necessary, if we intend to continue racing five times a fortnight as a minimum.

Stewards intend to continue to work with trainers and drivers to ensure we adhere to time restraints put on harness racing by our broadcasting partners, as it is imperative that we are shown on the premier Sky Channel station (SKY 1) South Australia harness is not afforded the luxury of running late, however on occasions we are shifted to the second station through no fault of our own.

In summary it has been a challenging twelve months but if Stewards continue to apply the appropriate sanctions to individuals who are in breach of the rules or portray the sport in a bad light, as well as the initiatives that have been introduced by HRSA, along with the assistance provided by the state government there is an opportunity for the sport to move forward.

Simon Ewen
CHAIRMAN OF STEWARDS

"THE RACING OFFICE, ALONG WITH THE CEO AND CHAIRMAN OF THE BOARD CONTINUE TO LOOK FOR WAYS TO ATTRACT ADDITIONAL HORSES TO SA,"

RACING OPERATIONS

During the 2019-20 racing season 127 TAB and Sky Racing covered Harness racing meetings have been conducted in South Australia to 31st August 2020, with another 43 scheduled for the remainder of the racing season.

Venues which have conducted race meetings in 2019-20 to date have been: Globe Derby Park, Port Pirie, Mount Gambier, Wayville, Kapunda, Victor Harbor, Strathalbyn and Gawler.

The 2019-20 racing season has seen significant change to the racing landscape and we have been presented with many challenges.

One such change is with respect to handicapping. This season saw the first full season of racing under the newly implemented National Ratings Handicapping system, replacing the previous Class based system. This presented a challenge for not only the participants as they attempted to understand this system, but also for the Racing Office, as a new format of programming was required.

With almost immediate effect the racing became more competitive, with the average starting price for the favourite of races increasing considerably. As a result, the yield from the corporate bookmakers increased, which has been a positive for the industry.

Along with the rest of society, Harness Racing was affected by the Covid-19 Pandemic. Whilst racing continued throughout the season, a number of changes were made during the height of the Pandemic. For a number of months Globe Derby Park was the sole venue for racing, with only essential participants and officials permitted to attend, with reduced field sizes. As a result, to accommodate horses and trainers, an additional meeting was introduced during the months of April to June on Tuesday nights. These meetings proved successful from a wagering perspective and HRSA will continue to utilize this timeslot when available.

From a National perspective, with restricted movement as a result of the Covid-19 Pandemic, a number of major feature races were postponed. In particular many juvenile features were impacted from this decision and were unable to be reprogrammed prior to the end of the racing season (August 31). Consequently, Harness Racing Australia have extended the current racing season and it will now conclude December 31. This will allow deferred features to be conducted in the racing season they were intended to be conducted. In South Australia this has allowed for the Southern Cross Series which was deferred in May to be conducted on December 5 with no impact on the age of horses contesting the series.

I would like to acknowledge the efforts of Emma Johnson, who commenced working in the Racing Office this season and also to Peter Lawrence, who has now moved into the Stewards department. I would also like to applaud Carolyn McCusker, who has been an invaluable asset to the team. A big thank you goes to Kathryn Nicolai, Leanne Ewen and Simon Ewen for their assistance throughout the year.

Finally, I wish to thank Chief Executive Officer Ross Neal for his continued support and guidance, along with The Directors of HRSA.

RACING OPERATIONS (CONTINUED)

RACING

South Australia's feature race night on the calendar for season 2019/20 was once again the SA Cup Night, conducted on February 8 2020.

The 2020 TAB South Australian Pacing Cup was won by the Kerryn Manning trained and driven Pat Stanley, with Rackemup Tigerpie for Michael Stanley finishing second and third going to Somewhere Secret for Emma Stewart, driven by Kima Frenning.

Also conducted on the night was the 2020 TAB South Australian Trotters Cup. Victory in this race went to Izmok, driven by Austin Misfud for trainer Brent Lilley.

Other features on the night included the Hygain South Australian Pacing Derby, won by Machdan for Emma Stewart and Greg Sugars and the Angle Vale Hardware & Fodder Kindergarten Series Final, where victory went to Sanur Beach, for the South East team of Alyce and Jayson Finnis.

Wayville

HRSA conducted a meeting at the historic Wayville Showgrounds on Friday December 13 2019. This was only the second official race meeting conducted since racing ceased at the venue over 45 years ago. A very good crowd was on hand to witness an exciting night of racing.

The Allwood

Saturday March 14 2020 saw the second running of 'The Allwood', a $100,000 Group 1 event for 2yo horses which were auctioned for sale at the 2019 Allwood Stud Farm SA Yearling Sale or were non-sale entries. Heats of $10,000 were conducted the previous week where eligible horses competed for a position in the Final, which was eventually won by Treachery, trained by Emma Stewart and driven by Kima Frenning

SA BOTRA

HRSA in conjunction with SA BOTRA and through the generous sponsorship of Alabar Farms once again conducted the 2YO Alabar Golden Nursery Series. Heats were conducted on April 18, with the Final being rescheduled to May 2 after the April 25 meeting was abandoned mid meeting. Victory went to the filly Dancing Finn for trainer Lance Holberton and driven by Wayne Hill.

Aside from this series, SA BOTRA have continued to support the industry by way of regular bonuses on races throughout the state for every month of the season.

SA BOTRA were also quick to offer their support by way of providing food and beverages for participants and officials at race meetings, where there has been restricted access under Covid-19 protocols. HRSA is very grateful for the efforts of BOTRA in these unprecedented times.

Country Cups

HRSA conducted a number of Country Pacing Cups during the 2019/20 season at various venues. The winners were:

- Victor Harbor – Assassinator; trained by Chris Nicol, driven by Ryan Hryhorec.
- Mount Gambier – Alcatraz Lass; trained by Aaron Bain, driven by Mark Billinger.
- Strathalbyn – Bettor Vision; trained and driven by Ryan Hryhorec.
- Gawler – Grey Maverick; trained by Dominic Tattoli and driven by Brodie Webster.

Square Trotters

Trotting races continue to be supported in South Australia, with a number of feature races contested throughout the season.

Aside from the SA Trotters Cup, the main features during the year for open trotters were The Gramel Trotters Cup, taken out by Its Elvis for Frank and Gaita Pullicino and The Fred Jones Trotters Cup, won by Kitsilano for Greg and Ken Rogers.

For the juveniles, the Trotters Derby went to Im Hector, trained by Claire Goble and driven by Wayne Hill, whilst the Parker Classic for 2yo's went to All That Glitters for Bronte Giorgio and David Smith.

A number of Country Trotters Cups were also conducted throughout the state in 2019-20. The winners were:

- Victor Harbor – Its Elvis, trained by Julie Mifsud, driven by Austin Mifsud.
- Strathalbyn – Champagne Prince, trained by Reg Trevean, driven by Mark Billinger.
- Mount Gambier – Glorious Finale, trained by Jim Barker, driven by Rod Barker.
- Gawler – Godofthunder, trained by Aaron Bain, driven by Alex Ashwood.

David Thuen
RACING OPERATIONS MANAGER

CORPORATE GOVERNANCE STATEMENT

1 Introduction

The Board of Harness Racing SA is committed to best practice corporate governance. This Corporate Governance Statement has been produced by the Board as an acknowledgement of its responsibility towards the ongoing maintenance of best practice corporate governance. This Statement is intended to supplement other general documents on the duties and responsibilities of Directors being implemented by HRSA.

This Statement is subject to annual review. This version was adopted by the Board of Directors on 24th November 2020.

2 Board of Directors

2.1 Composition of the Board

The Constitution of HRSA provides for the appointment of six non-executive Directors. Four Directors are appointed on the basis of their qualifications and experience in the competency areas of marketing, law, accounting and commerce, and business management. The remaining Directors are appointed pursuant to the relevant skill set requirement as set from time to time by the Board.

2.2 Board Responsibilities

The Board of Directors is responsible for monitoring the business and affairs of HRSA, setting of strategic direction, and overseeing the financial position, reporting systems and controls of HRSA. Directors observe conformity with their duties under Corporations law, HRSA's Constitution, and other relevant legislation.

2.3 Tenure

Board members are appointed for a term of three years. Retiring Directors are eligible to stand for re-appointment at the end of their term.

2.4 Director Independence

The Board has adopted the principle that all Directors are independent of Management and free of any business or other relationship with Clubs that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unencumbered and independent judgment.

3 Board Processes

3.1 Directors' Role

Directors understand and acknowledge the division of responsibility between Management and the Board, based on the belief that it is the role of the Board to be strategic and review and for Management to manage and deliver the organisation's objectives. They have also agreed the delegation of authorities to Management, as well as the goals of HRSA, Key Performance Indicators and the Financial Budget. Directors receive reports on a monthly basis of progress against the Financial Budget and Key Performance Indicators, as well as other management reports and regular control reports.

3.2 Directors' Commitment

Directors are required to understand the principles and standards of the harness racing industry generally and are expected to acquire the appropriate information and expertise to understand the general nature of the industry for which they are responsible.

All Directors must contribute to the establishment of clear strategic direction for HRSA and are expected to act consistently with these objectives and policies within that strategic direction once adopted.

Directors are required to exercise care and diligence in carrying out their duties, and to make judgments in good faith, and in what they believe to be in the best interests of HRSA and the harness racing industry in South Australia.

Directors are expected to serve on Board Committees. They are also expected to be willing to serve in areas where their expertise is of value in the decision making process.

Regular monthly reports are presented to Directors by Management. In addition to understanding and critically evaluating the contents of these reports, it is an obligation on Directors to enquire about any areas where they may have concerns and seek clarification until such concerns are satisfactorily resolved.

3.3 Board Meetings

The Board meets monthly or more regularly if required. Board papers are made available in advance of meetings and Directors are encouraged to seek additional information from the Chief Executive Officer, if further clarification is needed prior to the meeting. Notwithstanding, as a rule, the appropriate place for all discussions of Board matters to take place is in the scheduled Board or Committee meetings. It is the obligation of the Chairman to ensure that Board meetings are conducted in such a way that all questions can be put and satisfactorily resolved and points of view can be discussed and documented.

4 Board Committees

The Board has established formal Committees to advise and guide the Board, and to assist in decision-making, oversight and control. Board Committee members are elected at the first Board meeting following the Annual General Meeting. Representatives of Management attend Committee meetings as required and Committees have written Terms of Reference. The minutes of all Board Committee meetings are tabled at the next Board meeting and any recommendations are considered therein.

The Board may establish further ad hoc committees as the need arises.

The Board Committees that currently exist are:

4.1 Governance Committee

The Governance Committee has the responsibility to ensure good corporate governance practices are adhered to and to monitor the respective roles of the Board and the Chief Executive Officer, including their performance in these roles. The Governance Committee will also develop and maintain succession planning, remuneration and recruitment strategies for Board and Chief Executive Officer functions, risk management and reporting practices of Harness Racing SA.

4.2 Finance Committee

The Finance Committee has the responsibility of assisting the Board in fulfilling its responsibilities relating to the accounting, auditing and statutory practices of HRSA.

4.3 Racing Committee

The Racing Committee has been established including detailed Terms of Reference which have been ratified by the Board. The general responsibilities of the Racing Committee will be the development and monitoring of strategy in relation to the optimisation of race dates, allocation of race meetings and programming of races.

4.4 Wagering Committee

The Wagering Committee has been established to closely monitor and analyse wagering trends across both TAB and Corporate bookmaker platforms. This function is integral to maximizing wagering revenues through close liaison with the Racing Committee, and allocation of race dates within budget constraints.

5 Risk Management

The Board monitors the operational and financial performance of HRSA through regular reporting against budget and key performance measures. Policies and controls are developed and reviewed to minimise operational, financial, health and safety, and other areas of risk, and to ensure compliance with regulatory and community standards. In addition, risks are identified and managed through the audit program and by Management, and monitored by the Finance Committee. Insurance coverage of key operational risks is a necessary element of risk management. A Risk Management Register is in place and annually reviewed.

6 Business Conduct

6.1 Ethical Standards

The Board plays a key role in upholding the core values of HRSA and the harness racing industry and promoting high standards of corporate and business ethics, maintaining the highest standards of conduct and confidentiality in relation to all its dealings. These are reflected in the Board's Code of Conduct and its strict conformance to all relevant external regulations and legislation.

6.2 Conflicts of Interest

Part 2D of Corporations Law obliges Directors to disclose to the Board any actual or potential conflicts of interest. Further, in most instances, it restricts the voting rights of the affected Director in relation to matters in which there is an actual or potential conflict.

7 Communication

The Board aims to ensure Member Clubs and key stakeholders are kept informed of all developments impacting the affairs of HRSA and the harness racing industry and to provide appropriate information to assess the performance of the organisation and the industry. Information is provided in the Annual Report, regular newsletters, HRSA's website and specific letters as required when it is deemed information should be notified.

8 Corporate Social Responsibility

HRSA supports environmental initiatives in its daily activities with regard to waste management and energy conservation.

HRSA FINANCIAL REPORT
FOR YEAR ENDING 30 JUNE 2020

HARNESS RACING S.A. LIMITED
ABN 68 094 559 930

CONTENTS

Director's Report

Statement of Financial Performance

Statement of Financial Position

Statement of Changes in Equity

Statement of Cash Flows

Notes to the Financial Statements

Auditor's Independence Declaration

Independent Auditor's Report

DIRECTORS' REPORT

HARNESS RACING SA LIMITED ABN 68 094 559 930

Principal Activities

The principal activities of the company during the financial year, in accordance with the company's constitution, were:

- to encourage, promote and conduct the sport of harness racing
- to provide industry control and direction for the harness racing industry'
- to effectively market harness racing

Operating Result

The consolidated profit of the company for the financial year amounted to $76,602.

Review of Operations

A review of operations is contained in the reports by the Chairman & Chief Executive Officer within the Annual Report.

Corporate Governance

Refer to the Corporate Governance Statement as contained within the Annual Report.

Significant Changes in State of Affairs

There have been no significant changes in the state of affairs of the company during the year of report.

After Balance Date Events

No significant events have occurred after 30 June 2020.

Future Developments

The company will continue to operate in the interests of the industry and its shareholders.

Dividends

As the company has been formed as a company limited by guarantee, for the benefit of the harness racing industry in South Australia, no dividend is payable to members.

Indemnities and Insurance Premiums for Directors & Officers

During the financial year, the company paid an insurance premium in respect of a contract insuring the Directors of the company, Company Secretary, Mr Ross Neal, and all Executive Officers of the company and of any related body corporate against a liability incurred as such a Director, Secretary or Executive Officer to the extent permitted by the Corporations Law. The contract of insurance prohibits disclosure to the nature of the liability and the amount of the premium.

.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an Officer or Auditor of the company or of any related body corporate against a liability incurred as such an Officer or Auditor.

Proceedings on Behalf of Company

No person has applied for leave of the Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

The auditor has performed no other services during the year, except as otherwise disclosed in the financial statements.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out in the Audit Report.

Signed in accordance with the resolution of the Board of Directors.

George Fiacchi
CHAIRMAN

Marc Taintey
DIRECTOR

Dated this 24th day of November 2020

HARNESS RACING SA LTD.

STATEMENT OF FINANCIAL PERFORMANCE

For the financial year ended 30 June 2020

	Notes	2020 $	2019 $
Revenues from Ordinary Activities			
TAB Distribution		3,324,774	4,630,977
Other Income		4,551,828	3,453,151
Total Revenues from Ordinary Activities		**7,876,602**	**8,084,128**
Operating Expenses			
Racing Expenses		6,945,778	7,065,391
Administration Expenses		822,340	988,836
Borrowing Costs		9,880	7,672
Total Operating Expenses		**7,777,998**	**8,061,899**
Net Profit/(Loss) from Ordinary Activities		**98 604**	**22 229**
less Non-Operating Expenses		22 002	(8 389)
Net Profit/(Loss) after Non-Operating Expenses	**4**	**76 602**	**30 618**
Other Comprehensive Income for the year		-	-
Transfer to/(from) Reserves and Provisions		-	406,000
Total Comprehensive Surplus/(Deficit) for the year		**76 602**	**(375 382)**

Audited Accounts
The accompanying notes form part of these financial statements

HARNESS RACING SA LTD.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2020 $	2019 $
Current Assets			
Cash and Cash Equivalents	7	759,139	756,275
Receivables	8	234,748	267,222
Other Assets	9	398,481	271,990
Total Current Assets		**1,392,368**	**1,295,487**
Non-current Assets			
Property, Plant & Equipment	10	71,473	88,029
Total Non-current Assets		**71,473**	**88,029**
Total Assets		**1,463,841**	**1,383,516**
Current Liabilities			
Payables	11	1,233,882	858,763
Borrowings	12	12,030	22,280
Provisions	13	135,646	533,183
Total Current Liabilities		**1,381,557**	**1,414,226**
Non-current Liabilities			
Borrowings	12	-	12,030
Provisions	13	48 421	
Total Non-current Liabilities		**48,421**	**12,030**
Total Liabilities		**1,429,978**	**1,426,256**
Net Assets		**33,862**	**(42,740)**
Equity			
Retained Profits/(Accumulated Losses)	14	33,862	(42,740)
Total Equity		**33,862**	**(42,740)**

Audited Accounts

The accompanying notes form part of these financial statements

HARNESS RACING SA LTD.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2020

	Accumulated Funds	Total
	$	$
Balance as at 1st July 2018	332 642	332,642
Comprehensive Income		
Net Surplus/(Deficit) for the year	(375,382)	(375,382)
Total Comprehensive Income for the year	**(375,382)**	**(375,382)**
Balance as at 30th June 2019	**(42,740)**	**(42,740)**
Balance as at 1st July 2019	(42 740)	(42,740)
Comprehensive Income		
Net Surplus/(Deficit) for the year	76,602	76,602
Total Comprehensive Income for the year	**76,602**	**76,602**
Balance as at 30th June 2020	**33,862**	**33,862**

Audited Accounts

The accompanying notes form part of these financial statements

HARNESS RACING SA LTD.

STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2018

	Notes	2020 $	2019 $
Cash Receipts from Operating Activities			
Receipts in the course of operations		7,568,809	7,970,089
Payments in the course of operations		(7,537,602)	(6,989,808)
Interest received		396	6,590
Net cash provided by/(used in) Operating Activities	**21(b)**	**31,603**	**986,871**
Cash Flows from Investing Activities			
Payment for Plant & Equipment		(6,459)	(1,826)
Proceeds from sale Plant & Equipment		-	59
Net cash provided by/(used in) Investing Activities		**(6,459)**	**(1,767)**
Cash Flows from Financing Activities			
Proceeds from Borrowings		-	-
Repayment of Borrowings		(22,280)	(13,206)
Net cash provided by/(used in) Financing Activities		**(22,280)**	**(13,206)**
Net increase/(decrease) in Cash Held		**2,864**	**971,898**
Cash at beginning of financial year		756,275	(215,623)
Cash at end of financial year	**21(a)**	**759,139**	**756,275**

Audited Accounts

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Reporting Framework

The financial statements of Harness Racing S.A. Limited ("Company") are a general purpose financial report, that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board and the Corporations Act 2001.

The Directors have determined that Harness Racing S.A. Limited is permitted to apply the Tier 2 reporting requirements (Australian Accounting Standards - Reduced Disclosure Requirements) as set out in AASB 1053 Application of Tiers of Australian Accounting Standards because it is a private sector entity that does not have public accountability.

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

Going Concern

The financial statements have been prepared on a going concern basis.

The Directors have given consideration to the position of the company and have formed the opinion that it is appropriate to prepare the financial statements in accordance with the going concern concept.

Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements and have been consistently applied unless otherwise stated:

(a) Revenue Recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

(b) Income Tax

No provision for income tax has been raised, as the entity is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997.

(c) Impairment of Assets

At the end of each reporting period the entity assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, the recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(d) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

(e) Trade Receivables

Trade receivables are recognised at amounts due less an allowance for uncollectable amounts. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectable are written off. An allowance is made for doubtful debts where there is objective evidence that the company will not be able to collect all amounts due according to the original terms.

(g) Investments and Other Financial Assets

All investments and other financial assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of investments are recognised on trade date which is the date on which the entity commits to purchase or sells the asset. Accounting policies for each category of investment and other financial assets subsequent to initial recognition are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Impairment losses are measured as the difference between the investment's carrying amount and the present value of the estimated future cash flows. The cash flows are discounted at the investment's original effective interest rate. Impairment losses are recognised in profit or loss.

Available-for-sale financial assets

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

Reversals of impairment losses on equity instruments classified as available-for-sale cannot be reversed through profit or loss. Reversals of impairment losses on debt instruments classified as available-for-sale can be reversed through profit or loss where the reversal relates to an increase in the fair value of the debt instrument occurring after the impairment loss was recognised in profit or loss.

The fair value of quoted investments is determined by reference to Securities Exchange quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

(h) Fair Values

Fair values may be used for financial asset and liability measurement as well as for sundry disclosures.

Fair values for financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. The quoted market price for financial assets is the current bid price and the quoted market price.

Due to their short-term nature, the fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

(i) Property, Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to the present values in determining the recoverable amounts.

Depreciation is calculated on property, plant & equipment, including freehold buildings but excluding land and investment properties. Depreciation is calculated on a diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

The following estimated useful lives are used in the calculation of depreciation;
Motor Vehicles 4 years
Plant & equipment 2-5 years

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

(j) Leases

AASB 16 removes the current operating and finance lease distinction for lessees and requires entities to recognise all material leases on the Statement of Financial Position.
AASB 16 requires the recognition of a right-of-use asset and a corresponding lease liability at the commencement of all leases, except for short-term leases and leases of low value assets.

(k) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the entity prior to the end of the reporting period and which were unpaid at the end of the reporting period. These amounts are unsecured and have 30-60 day payment terms.

(l) Interest Bearing Liabilities

Debentures, bank loans & other loans are recorded at an amount equal to the net proceeds received. Interest expense in recognised on an accrual basis. Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing.

(m) Employee Benefits
Wages, Salaries and Annual Leave

Liabilities for wages and salaries (including non-momentary benefits) and annual leave are recognised in respect of the employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

Long Service Leave

Liabilities for long service leave are recognised as part of the provision for employee benefits and are measured at the present value of expected future payments to be made in respect of the services provided by employees to the end of the reporting period. Long service leave accrues after 5 years of service.

(n) GST

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The amount of GST payable to the taxation authority is included as part of payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financial activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

2. ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates, judgements and assumptions

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and from within the entity.

3. SUBSEQUENT EVENTS

There have been no events after balance date that would have a significant effect on the financial statements .

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

4. PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities included the following items of revenue and expenditure -

a) Revenue from Ordinary Activities	2020 $	2019 $
Rendering of Services		
TAB Distribution	3,324,774	4,630,977
Government Tax Relief	364,367	812,000
General	1,173,278	503,930
Race Field Fees (Net)	2,909,627	1,963,212
Southern Cross Series	104,160	167,419
	7,876,206	**8,077,538**
Interest Revenue		
Other Entities	396	6,590
Total Revenue from Ordinary Activities	**7,876,602**	**8,084,128**
b) Operating Expenditure		
Stakemonies	3,813,879	4,569,914
Racing Expenses	2,891,899	2,029,077
Southern Cross Series	240,000	316,400
Settlement of GRSA claim	-	150,000
Administration Expenses	796,900	956,719
Depreciation Expense	23,017	29,659
Borrowing Cost Expense	9,880	7,672
Other expenses	2,423	2,458
Total Operating Expenses	**7,777,998**	**8,061,899**
Profit/(Loss) from Ordinary Activities	98,604	22,229
Less: Non-operating expenses	22,002	(8,389)
Transfer from Provisions		
Net Profit/(Loss)	**76,602**	**30,618**

5. DIRECTORS' REMUNERATION

The aggregate of income paid or payable, or otherwise made available in respect of the financial year, to all Directors of the Company, directly or indirectly, by the Company or by any related party.	91,235	87,737

The Directors of HRSA Ltd during the course of the year were:
George Fiacchi (appointed 18 December 2019)
Scott Barclay
John Levy
Roland Roccioletti
Emma Grigson- Gair (appointed 24 January 2020)
Ross Neal (resigned 30 September 2019)
Marc Taintey (appointed 18 December 2019)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

		2020 $	2019 $
6.	**REMUNERATION OF AUDITORS**		
	Auditing the Financial Report	15,000	11,000
	Financial assistance - Member Club audits	9,000	9,000
		24,000	**20,000**
7.	**CASH & CASH EQUIVALENTS**		
	Cash at Bank	622,430	522,880
	Cash on Hand	623	700
	Credit Card	(913)	(3,955)
	Short Term Deposits	136,999	236,650
		759,139	**756,275**
8.	**CURRENT RECEIVABLES**		
	TAB Product Fee	141,704	255,741
	Other Receivables	93,045	11,481
	Total Current Receivables	**234,748**	**267,222**
9.	**OTHER CURRENT ASSETS**		
	Accrued Income	391,446	237,990
	Prepayments	7,034	34,000
	Total Other Current Assets	**398,481**	**271,990**
10.	**PROPERTY, PLANT & EQUIPMENT**		
	Computer equipment	278,281	271,821
	Less: Accumulated depreciation	(267,237)	(261,928)
		11,044	**9,893**
	Motor vehicles	325,502	325,502
	Less: Accumulated depreciation	(268,915)	(252,487)
		56,587	**73,015**
	Office equipment	65,906	65,906
	Less: Accumulated depreciation	(62,064)	(60,785)
		3,842	**5,121**
	Furniture and fittings	14,938	14,938
	Less: Accumulated depreciation	(14,938)	(14,938)
		-	-
	Total property, plant & equipment	**71,473**	**88,029**
	Movements in the carrying amounts of property, plant and equipment		
	Opening Balance	750,726	751,417
	Additions	6,461	1,826
	Disposals		(2,517)
	Closing Balance	**757,187**	**750,726**
	Accumulated Depreciation		
	Opening Balance	662,697	633,038
	Disposals		
	Depreciation Expense	23,017	29,659
	Closing Balance	**685,714**	**662,697**
	Written down value of Property, Plant & Equipment	**71,473**	**88,029**
11.	**PAYABLES AND REVENUE RECEIVED IN ADVANCE**		
	Current		
	Trade Payables	58,961	176,136
	Other Payables	835,878	610,673
	Accrued Expenses	136,542	71,954
	Revenue Received in Advance	202,500	-
	Total Current Payables and Revenue Received in Advance	**1,233,882**	**858,763**
12.	**BORROWINGS**		
	Current		
	Secured Loans	**12,030**	**22,280**
	Non-Current		
	Secured Loans	-	**12,030**

Audited Accounts
These notes form part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

13. PROVISIONS

Current		
Employee Entitlements		
Provision for employee entitlements	135,646	127,186
Other Provisions		
Provision for Infrastructure or Strategies Projects	-	406,000
	135,646	**533,186**
Non-Current		
Employee Entitlements		
Provision for employee entitlements	**48,421**	**-**

14. RETAINED PROFITS

	2020 $	2019 $
Balance at beginning of financial year	(42,740)	332,642
Net Profit/(Loss)	76,602	(375,382)
Balance of Retained Profits	**33,862**	**(42,740)**

15. ECONOMIC DEPENDENCY

A significant volume of the Company's revenue is derived from TAB Corp Ltd., as a monthly Product Fee under the current Racing Distribution Agreement.

16. CONTRIBUTED EQUITY

HRSA Ltd is a company limited by a guarantee of $2 per member. As at 30 June 2020, the number of members was ten (10).

17. SEGMENT INFORMATION

HRSA Ltd is the controlling body for harness racing in South Australia. The primary object for which the Company is established is for the encouragement of harness racing in SA. This includes the regulation and control of the harness racing code, and conduct of harness racing meetings within SA.

18. CAPITAL COMMITMENTS

As at the date of report, HRSA has no capital commitments earmarked for the 2021 financial year.

19. RELATED PARTY DISCLOSURES

Details of Directors' remuneration are disclosed in Note 5. Members of the Company or Board of Directors, or their relatives, may from time to time receive prizemoney for successful horses owned or trained by them. This prizemoney is paid by HRSA Ltd on the same terms and conditions as apply to any other owner or trainer.

20. FINANCIAL RISK MANAGEMENT

The main risks the company is exposed to through its financial statements are credit risk, liquidity risk and market risk consisting of interest rate risk.

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

	2020 $	2019 $
Financial Assets		
Cash & cash equivalents	623 053	523 580
Financial Investments	136,999	236,650
Total financial assets	**760,053**	**760,230**
Financial Liabilities		
Trade & other payables	895,753	782,875
Accrued expenses	136,542	71,954
Total financial liabilities	**1,032,295**	**854,829**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

Financial risk management policies

The Board has overall responsibility for the establishment of the Company's financial risk management framework. This includes the development of policies covering specific areas such as credit risk, liquidity risk and market risk. Risk management policies and systems are reviewed regularly to reflect changes in market conditions of the Company's activities.

The day-to-day risk management is carried out by the Company's finance function under policies and objectives which have been approved by the Board. The Finance Manager has been delegated the authority for designing and implementing processes which follow the objectives and policies. The Board receives monthly reports which provide details of the effectiveness of the processes and policies in place.

Mitigation strategies for specific risks faced are described below -

(a) Credit risk
Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Company and arises principally from the Company's receivables.

(b) Liquidity risk
Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financial activities which are monitored monthly
- monitoring undrawn credit facilities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;

Typically, the company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days.

Financial guarantee liabilities are treated as payable on demand since the Company has no control over the timing of any potential settlement of the liabilities.

The timing of cash flows to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability maturity analysis - Non-derivative
The timing of expected outflows is not expected to be materially different from contracted cash flows.

(c) Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

i. Interest rate risk
Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows.

ii. Price risk
Financial Risk Management - Financial Risk - No Price Risk Exposure

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

21. NOTES TO THE STATEMENT OF CASH FLOWS	2020 $	2019 $
a) Reconciliation of Cash		
Cash	759,139	237,350
Bank overdraft	-	518,925
	759,139	**756,275**
b) Reconciliation of Net Profit/(Loss) to net cash flows from operating activities -		
Net Profit/(Loss)	76,602	(375,382)
Depreciation	23,017	29,659
Loss/(Profit) on sale of Fixed Assets	-	2,458
(Increase)/Decrease in Receivables	32,475	(107,449)
(Increase)/Decrease in Other Current Assets	(126,491)	907,784
Increase/(Decrease) in Payables	375,120	132,191
Increase/(Decrease) in Provisions	(349,119)	397,611
	31,603	**986,872**

22. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

Management controls the capital of the Company to ensure that adequate cash flows are generated to fund its operations and that returns from investments are maximised. The Board and management ensure that the overall risk management strategy is in line with this objective.

23. KEY MANAGEMENT PERSONNEL	2020 $	2019 $
Key management remuneration	156,995	400,934
Long term salary benefits	19,129	30,897
Total key management remuneration	**176,124**	**431,831**

Unless otherwise disclosed, transactions between related parties (including key management personnel) are on conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with a non-related party at arm's length in the same circumstances.

24. PROVISIONS & CONTINGENT LIABILITIES

SA Mare Owners' Scheme (SAMOS)

Harness Racing SA Ltd provides incentives to the owners of winning mares in the form of certificates, which entitle the owner to a discount to a contribution on service fees incurred at participating studs.

Where the liability arising from the issue of these certificates can be reasonably estimated, a provision has been included in these financial statements.

A contingent liability exists, however, in relation to other certificates where a future obligation arises, which cannot be measured with sufficient reliability to enable a provision to be made.

In August 2017, the Board resolved that no further certificates would be issued after 1 September 2017.

DIRECTORS' DECLARATION

HARNESS RACING SA LIMITED ABN 68 094 559 930

In accordance with a resolution of the Directors of Harness Racing SA Ltd, the Directors of the company declare that:

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company; and

2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Director: _____

George Fiacchi

Dated: Tuesday 24th November 2020

MC
Chartered Accountants ®
Working with you, for you

CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

All correspondence to:
PO Box 1236
UNLEY BC SA 5061

AUDIT SERVICES

INDEPENDENT AUDIT REPORT TO THE DIRECTORS OF

HARNESS RACING S.A. LIMITED

Report on the Financial Report

We have audited the financial statements of Harness Racing S.A. Limited, ("the Company") for the year ended 30th June, 2020 consisting of: -

- Statement of Financial Performance
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to and forming part of the financial statements

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001* and Australian professional ethical pronouncements.

Audit Opinion

In our opinion, the financial report of Harness Racing S.A. Limited is in accordance with the *Corporations Act 2001* including: -

i. giving a true and fair view of the Company's financial position as at the 30th June, 2020 and of its performance for the year ended on that date;

ii. complying with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board and the *Corporations Act 2001.*

Dated this 25th day of November, 2020

BARRIE M. MANSOM
Principal of the firm of
MC, Chartered Accountants

Level 1, Suite 5,
102 Greenhill Road,
UNLEY. S. AUST. 5061

MC
Chartered Accountants ®
Working with you, for you

CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

All correspondence to:
PO Box 1236
UNLEY BC SA 5061

AUDIT SERVICES

Ref:HRSA/300803_1

25th November, 2020

The Chairman,
Harness Racing S.A. Limited,
2a McLaren Parade,
PORT ADELAIDE S.AUST. 5015

Attention: R. L.H. Neal

Dear Ross,

AUDIT FOR THE YEAR ENDED 30TH JUNE, 2020

We confirm that we have now completed the audit of the financial statements for Harness Racing S.A. Limited for the year ended 30th June, 2020.

Our Audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance that the financial statements of the company are free from material misstatement. This involved us making an assessment of the risk of material misstatement, whether due to fraud or error and then applying audit procedures, using our professional judgement, to mitigate that risk. Whilst we considered internal control relevant to the preparation of the company's financial statements, our audit procedures mainly comprised substantive tests and we do not express an opinion on the effectiveness of the internal controls.

The financial statements have been prepared by management for the purposes of satisfying the requirements of the *Corporations Act 2001*. The directors are responsible for the preparation and presentation of the financial statements and the information contained therein. We have conducted our audit on the financial statements in order to express an opinion on them to the directors and stakeholders.

The primary objective of our audit was to form an opinion as to whether the financial statements for the year ended 30th June, 2020 are presented in order to: -

- Present fairly the company's financial position as at 30th June, 2020 and its performance for the financial year ended on that date; and

- Comply with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the requirements of the Corporations Act 2001.

The matters, which are set out below, were identified during the audit of the financial statements and in our opinion, are both important and relevant to the management and those charged with governance in overseeing the financial reporting and disclosure process.

1. **INTERNAL CONTROL**

In accordance with ASA 265 *Communicating Deficiencies in Internal Control to those charged with Governance and Management*, we are required to communicate in writing, any significant deficiencies in internal control identified during our audit.

The Standard defines a deficiency in internal control as:

- Where a control is not designed in a way to prevent, detect and or correct misstatements in the financial report in a timely manner; or

- Where a control necessary to prevent, detect and or correct misstatements in the financial report on a timely basis is missing.

Significant deficiency in internal control means a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgement, is of sufficient importance to merit the attention of those charged with governance or management of an enterprise.

Our audit processes did not identify any significant deficiencies that we consider need to be brought to your attention, although we recognise that the small number of persons within your administration, limits the amount of segregation of duties.

2. SIGNIFICANT ISSUES

No significant issues were noted during the audit that we consider needs to be brought to the attention of those charged with governance, other than: -

- The continuing underlying obligation in respect to the SAMOS scheme which was addressed in previous years still exists. We are aware the Board is reviewing this scheme and mention of this review has been included in the Notes forming part of the financial statements.

- Significant difficulty was encountered in settling the carried forward balance of the retained earnigs from the 2019 financial year. During our interim audit it was found that the adjusting entries from 2019 had not been correctly posted by Hood Sweeney. These entries were subsequently found to have been posted into the 2018 year. This was advised in our management letter which was issued following our interim audit.

  During the final audit, variations and adjustments between the accounting system used by Hood Sweeney and the Tech1 accounting software resulted in entries being posted to the Period 0 adjustments resulting in some unreconciled accounts.

  Adjustments have been made in the financials to the best of our ability and with the lest possible affect on the financial statements.

- During the year a number of BAS returns were amended but the amended returns were not reconciled with the GST accounts in the General Ledger. These accounts have still not been reconciled as further BAS returns were amended in the 2021 financial year.

  It is important that the General Ledger be reconciled with the BAS returns lodged. This has been brought to the attention of Mr. John Read.

4. NON-COMPLIANCE WITH LAWS & REGULATIONS

We did not identify any instances of non-compliance with laws and regulations that may materially affect the financial statements during the course of our audit.

5. CONSIDERATION OF FRAUD & ERROR

Under the Australian Auditing Standard ASA 240, when planning and performing audit procedures and evaluating the results, the auditor must consider the risk of material misstatement in the financial statements as a result of fraud and error.

Although ASA 240 sets out the principles and procedures we must follow, the primary responsibility for the prevention and detection of fraud and error rests with the directors and management. Management is responsible for maintaining accounting records and controls designed to prevent and detect fraud and error, and for the accounting policies and estimates inherent in the financial statements.

6. INDEPENDENCE

We have completed our audit in accordance with the auditor independence requirements as set out in the code of Professional Conduct as issued by the Institute of Chartered Accountants in Australia.

We have obtained individual independence declarations from all staff engaged in the audit. We also have policies and procedures in place to identify any threats to our independence and to appropriately deal with and if relevant, mitigate those risks.

We have not become aware of any issue that would cause a member of the audit team and MC *Chartered Accountants* to contravene any relevant ethical requirement or any regulatory requirement that applies to the audit engagement.

This communication, as previously mentioned, only includes matters that have come to our attention as a result of the performance of the audit and our audit of the financial statements is not designed to identify all of the matters that may be relevant to the directors.

This letter is provided solely for the information of management and those charged with the company's governance and is not intended for any other purpose. We therefore do not accept any responsibility to a third party who uses this communication.

We would be pleased to discuss with you further any matters raised in this communication at a mutually convenient time.

Our auditor's independence declaration and proposed audit report are enclosed for your attention.

In the interim, we take this opportunity to express our appreciation for the assistance and co-operation received from your staff during the course of our audit.

We also cofirm that, further to our discussions, the writer is prepared to continue as auditor for a further twelve months, if that is the wish of your Board and the company's members.

Yours faithfully,
MC, *Chartered Accountants*

BARRIE M. MANSOM

MC
Chartered Accountants ®
Working with you, for you

CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

AUDIT SERVICES

All correspondence to:
PO Box 1236
UNLEY BC SA 5061

AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF HARNESS RACING S.A LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30th June, 2020 there has not been any: -

1. Contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

2. Contraventions of any applicable code of professional conduct in relation to the audit.

Dated this 25th day of November, 2020

BARRIE M. MANSOM
Principal of the firm of
MC, Chartered Accountants

Level 1, 102 Greenhill Road,
UNLEY. S. A. 5061

Salisbury, the
Livingcity
SA BOTRA
"voice of industry"
3RD