



*maintaining the integrity of the sport of horseracing*

# ANNUAL REPORT



2018



Notice of Meeting	page 03
Vision, Mission, Values and Objectives	page 04
Committees	page 05
National Board Directors	page 08
Chairman's Report	page 11
Chief Executive's Report and Overview	page 13
Racing Control	page 15
The Laboratory	page 21
Racing Administration	page 25
Stud Book	page 25
Registrations, Licensing and Information Services	page 26
Marketing and Communications	page 28
Human Resources	page 30
Staff Photos	page 33
Finances	page 35
Organisational Structure	page 65
Directory	page 66

# NOTICE OF MEETING

Notice is hereby given that the One Hundred and Thirty Seventh Annual General Meeting of Members will be held at the offices of The National Horseracing Authority, Turf Club Street, Turffontein, on Wednesday, 16 January 2019 at 14:00 to transact the following business:

1. To consider and confirm the Minutes of the Annual General Meeting of Members held on Wednesday, 17 January 2018.
2. To consider the Report of the Chairman of the National Board of Directors for the year ended 31 July 2018.
3. To receive and consider the audited Financial Statements of The National Horseracing Authority of Southern Africa and the Funds held in Trust for the period ended 31 July 2018.
4. To appoint the Authority's Auditors.
5. To transact any business which may be transacted at an Annual General Meeting.



**Arnold Hyde**  
**Chief Executive**

The National Horseracing Authority of Southern Africa  
Turf Club Street  
Turffontein 2190

December 2018





## OUR VISION

To create an environment in which the Sport of Horseracing, the horses and the people can thrive



## OUR MISSION

To regulate, govern, serve and promote the Sport of Horseracing in Southern Africa



## OUR VALUES

- S Service
- I Integrity
- R Responsiveness
- E Excellence
- D Dedication



## OUR OBJECTIVES

The objectives of the National Horseracing Authority of Southern Africa in its identified territories are:

1. To regulate the Sport of Horseracing.
2. To govern the Sport with integrity.
3. To serve the industry through excellent, efficient and effective administration of amongst others, the Stud Book, registrations, licensing, race day services and laboratory services.
4. To promote and/or encourage the promotion of the Sport of Horseracing, the quality of the Thoroughbred, industry training and skills development.
5. To promote and foster co-operation and goodwill with recognised authorities, Governments and Local and International Stakeholders.

# COMMITTEES

## *Audit, Risk and Finance Committee*

Mr K P Truter	(Chairman)
Mr S M Dolamo	
Adv. S M Lebala SC	
Mr L J A Barends	(By Invitation)
Mr B Sibanyoni	(By Invitation)

The mandate of this Committee is set out in Clause 16.6.2 of the Constitution as follows:

16.6.2 an Audit Committee is appointed to advise the NATIONAL BOARD on matters relating to the audited accounts, the financial controls, the risks facing the NATIONAL HORSERACING AUTHORITY, the NATIONAL HORSERACING AUTHORITY'S budget and such other matters as may be delegated and/or referred to it by the NATIONAL BOARD.

## *Graded Races Committee*

Mr K P Truter	(Chairman)
Mr L J A Barends	
Mr R L Bruss	
Mr A D Hyde	
Mr R Smith	(By Invitation)
Mr C Basel	(By Invitation)
Mr J Harrielall	(By Invitation)
Mr G Hawkins	(By Invitation)
Mr K Sommerville	(By Invitation)
Mr V Thurling	(By Invitation)
Mr L Wainstein	(By Invitation)

This Committee, working within criteria and principles based on internationally accepted standards, evaluates all races run in South Africa and Zimbabwe to produce a list of Graded and Listed Races to be approved by the National Board. The purpose of this list is to recognise racing class.

## *Inquiry Review Board*

Mr J M Witts-Hewinson	(Chairman)
Mr L J A Barends	
Adv. D Beasley SC	
Mr A M Costa	
Adv. G I Hoffman SC	
Mr A D Hyde	
Adv. S M Lebala SC	
Mr R S Napier	
Adv. P Stais SC	

This Committee monitors the procedures of Inquiry Boards to ensure procedural fairness and the appropriateness and consistencies of penalties imposed.

### *Laboratory Committee*

Mr S M Dolamo	(Chairman)
Mr L J A Barends	
Mr R L Bruss	
Dr S S de Kock	(By Invitation)

This Committee monitors the standards and efficiencies of the laboratory and evaluates the needs of new equipment before recommending such capital expenditure. It also ensures that the laboratory keeps up with international trends in drug detection

### *Licensing Committee*

Mr L J A Barends	(Chairman)
Mr A D Hyde	
Miss H Kayiya	
Mrs L Bockel	(Secretary)

The mandate of the Licensing Committee is set out in Clause 20.1 of the Constitution as follows:

20.1 The LICENSING BOARD shall have the power to, and may, in its absolute discretion, grant, refuse to grant, renew, or refuse to renew, any PRIVILEGE provided for in this Constitution or the RULES, excluding the PRIVILEGES referred to in clauses 16.2.6 and 16.2.7.

### *Pension Fund Management Committee*

Mr J J du Toit	(Employer Representative)
Mr A D Hyde	(Employer Representative)
Mr L C Anderson	(Employee Representative)
Dr M Rösemann	(Employee Representative)
Mr B Sibanyoni	(Alternative Employer Representative)

The Management Committee have a fiduciary responsibility in ensuring that the interests of the employer and employees are looked after through liaising with the administrators of the Alexander Forbes Retirement Fund (Pension Section) to ensure that the fund is efficiently administered and that the best possible returns on the fund's investments are achieved.

### *Remuneration Committee*

Mr K P Truter	(Chairman)
Mr S M Dolamo	
Mr R J Trotter	
Mr L J A Barends	(By Invitation)

The mandate of this Committee is set out in Clause 16.6.3 of the Constitution as follows:

16.6.3 a Remuneration Committee is appointed on such terms and conditions as may be prescribed by the NATIONAL BOARD to determine, on at least an annual basis, the type and amount of the remuneration to be provided to NATIONAL HORSERACING AUTHORITY employees and, subject to the provisions of this Constitution, to be provided to NATIONAL BOARD DIRECTORS

# COMMITTEES

## *Rules Committee*

Adv. P Stais SC	(Chairman) NHA
Mr L J A Barends	NHA
Mr A D Hyde	NHA
Adv. S M Lebala SC	NHA
Mr R J Trotter	NHA
Mr M de Kock	Trainers' Representative
Mr P Strydom	Jockeys' Representative
Mr L Wainstein	Owners' Representative

This Committee receives and considers amendments to the Rules as proposed by Management and/or other Stakeholders and makes recommendations on such amendments to the National Board.

## *TBA and Veterinary Liaison Committee*

Mr R J Trotter	(Chairman)
Mr L J A Barends	
Mr R L Bruss	
Mr J J du Toit	
Mr A D Hyde	
Mr K P Truter	
Dr E Reynders	

This Committee meet on an annual basis with representatives of the TBA and the Equine Practitioners Group to discuss matters of mutual concern and interest.

*The National Board wishes to express its thanks to the Members of the abovementioned Committees for the generous time and effort which they put into carrying out their responsibilities.*





# NATIONAL BOARD DIRECTORS



***Mr K P Truter***  
CHAIRMAN

Mr Truter has been a successful horse owner and entrepreneur for many years and held numerous directorships within the business and horseracing landscapes.

He is a passionate racehorse lover and has been a racehorse Owner and Breeder since 1979 and in 2000 was named as the Western Cape Owner of the year. He is also currently Chairman of the Western Cape Equine Trust.



***Mr L J A Barends***  
CHIEF EXECUTIVE

Lyndon holds an MBA and BA Hons in Development studies. He has a passion for the development of people and especially the youth.

Amongst his former positions are: the CEO of Primedia Sport, CEO of the South African Olympic Committee (SASCOC) and a Director of Standard Bank.



***Adv. S M Lebala SC***

Adv Simmy Lebala has been active as a Legal Practitioner for a number of years and Senior Counsel status was conferred on him in 2008. Over the years he has chaired a number of Boards and various Commissions. He represents a number of government departments in litigation matters as Senior Counsel.



***Mr S M Dolamo***

Mr Dolamo holds B.Sc. (Chemistry), B.Tech (Ceramics Science) and M.Sc. (Materials Engineering) degrees and an MBA from GIBS.

He is currently Executive Head of Research at the PIC. Prior to that he worked for Stanlib Asset Management.

Mr Dolomo also has 10 years experience within the mining and manufacturing industry, including 6 years as research scientist engineer at De Beers research laboratory.

## NATIONAL BOARD DIRECTORS



*Mr J J du Toit*

Mr J J (Hannes) du Toit has served as a National Board Director for the past two years and is a businessman, racehorse owner, game farmer and game breeder involved in the wildlife industry. Passionate about horses, he has been involved in horseracing since 2002.

Mr du Toit is a management consultant and project manager within the building and construction industry and is also involved in the field of commercial forensics with more than 30 years' experience.



*Mr A D Hyde*

Mr Hyde has been an employee of the NHA since 1998 and has worked in the Eastern Cape, Kwa-Zulu Natal, Western Cape (Deputy Chief) and Central Provinces (Chief Steward) as a Stipendiary Steward. In 2015 he was appointed as the Racing Control Executive, based in Johannesburg.

Mr Hyde is a member of the IFHA's International Harmonisation of Race Day Rules Committee.



*Mr R L Bruss*

Mr Robin Bruss comes from a racing family and has been involved with horseracing and breeding all his life. He previously served on the National Board from 2006 to 2015. He has a passion for the industry and has been active as an owner, breeder, agent, auctioneer, journalist, television presenter, researcher, administrator and consultant.



*Adv. P Stais SC*

Adv. Stais is a member of the Johannesburg Bar and has been a senior counsel since 2006. He was an executive member of the SA National Equestrian Federation and was for several years the chairman of its Disciplinary Council.

Adv. Stais has from time to time acted as defence counsel for South African clients before the Fédération Equestre Internationale and has also presided as Chairman of an NHA Appeal Tribunal.

# NATIONAL BOARD DIRECTORS



*Mr R J Trotter*

Born and Bred in Pietermaritzburg, Mr Rodney Trotter studied for a Natal Law Society Certificate (attorney's admission). He was admitted as an Attorney, Notary Public and Conveyancer in 1973. In partnership with his wife, Jane Trotter, they have owned race horses and held partnership colours since 1984.

He served as a Steward and as Chairman on the Local Executive of The Jockey Club until the Local Executives ceased to exist. Rodney was then elected to the National Board in 2001 and has served as a non-executive director since then.

The National Board Directors are appointed in terms of Clause 15. of the Constitution of The National Horseracing Authority.

The National Board met on four occasions between 1 August 2017 to 31 July 2018.



# CHAIRMAN'S REPORT



*Mr K P Truter*  
CHAIRMAN

The period under review has been tough and eventful. The Board has been faced with many challenges and changes.

It has been a year where the racing industry in general has come under severe pressure, with many of its constituents calling for material change in order to guarantee its future and well-being. We feel it is important that the NHA is a part of this process and believe it has a vital role to play in future discussions, if indeed racing South Africa decides to move in this direction.

On a more positive note, South Africa has been announced as the host for the 38th Asian Racing Conference, which will be held in Cape Town in February 2020. It has been the highlight of the year. The announcement was made at the 37th Asian Racing Conference in Seoul, Korea in May this year and it was a proud moment for me to accept the honour on behalf of the NHA and South African Racing. The Asian Racing Conference is one of the largest Thoroughbred racing conferences in the world and provides a forum for international leaders within racing, to discuss, share and address all issues which the global industry faces. The theme for the upcoming ARC 2020 is "Unlocking Potential" which certainly embodies the outlook of the South African racing industry.

It is also pleasing to note that significant progress has been made in respect of South African export protocols. The SAEHP are confident that they have met all the EU requirements and are waiting for a final audit date. If this were to be successful it will provide a major boost to South African racing, more specifically our breeding industry.

With training costs continuing to escalate, the Board agreed to the inception of Fractional ownership. We believe this has assisted racing to attract new Owners, who are the lifeblood of the industry. This decision has also facilitated the growth of Syndication, which is accordant with international trends.

Our Laboratory remains a world class facility which has an outstanding reputation for detecting and prosecuting substance abuse. We have a highly qualified and dedicated team with impeccable credentials in this department and they continue to do outstanding work ensuring that our racing remains drug free and fair. Furthermore, we are pleased to state that the Laboratory has fully recovered from the fire damage incurred in the prior year, with all new equipment operational. Credit must go to the Audit, Risk and Finance committee for ensuring that our equipment was adequately insured and that we suffered no financial loss.

Whilst the Stud book has experienced many problems, with some of them going back over many years, I believe that for the first time we are making significant progress in clearing backlogs and improving systems. The South African Stud Book was not previously part of any International Stud Book Committee (ISBC) regional body. With effect from May 2018 however, it has been incorporated into the European and African Stud Book Committee (EASBC), who through their Secretariat will continue to work closely with the South African Stud Book where necessary. We received correspondence from them in November stating that they are happy with our progress so far and reassured that we have identified the outstanding items requiring attention.

On behalf of the Board I would like to thank:

- > All of our members for their support
- > The TBA for the very important role they play in the industry
- > The Operators for their continuing support both financial and for continuing to provide an exciting racing program throughout the country
- > Management and Staff for their hard work and dedication
- > My fellow Board members for their support during the year and for fulfilling all of their duties on the various committees during this time

# CHAIRMAN'S REPORT

of the regulatory role which we hold within horse racing and fully understand the necessity to maintain an independent and competent body that ensures a fair and level playing field for all Stakeholders.



**Ken P Truter**  
Chairman



# CHIEF EXECUTIVE'S REPORT



*Mr A D Hyde*  
CHIEF EXECUTIVE

The Racing year under review is one that has presented many challenges. The relatively recent restructuring process has put enormous pressure on the staff that work at the coal face and this needs urgent attention. The Industry is undergoing many changes and the NHA is mindful of its core function to regulate the Industry with integrity, fairness and compassion.

Fortunately the NHA has committed, passionate and integrity driven people in its employ and they are the base on which the development of the Regulator will be built on. Improvement in what we do is ever important and we need to consider advancing our various areas of service that are provided to the Horseracing Industry. Racing control, the Stud Book and Horse welfare need to receive special attention.

It is encouraging that the International racing community has confidence in the role that the NHA performs and this is evident in the major jurisdictions televising and betting on races in South Africa. To continue this relationship the NHA will have to ensure that our Rules of Racing are strictly and consistently enforced and harmonized to those of the major Racing Countries. With South Africa having representation on the International Harmonization of Racing Rules Committee this ideal is easier to attain.

Horse welfare and looking after retired racehorses following their respective careers is more important than ever and the Industry as a collective, will have to make strides in this area. This is non-negotiable and the difficulty of establishing a suitable funding model for this ideal in a tough economic climate makes this an even more difficult task.

The awarding of the Asian Racing Conference to South Africa is a wonderful achievement and this presents a unique opportunity to the Stakeholders

to work in unison to make this a success.

Cape Town in its summer splendour coupled with top class Racing should make a show case which will show the Racing world what we are about in this wonderful Country of ours. The privilege of playing hosts to influential international delegates and their partners presents a unique opportunity to showcase and improve our facilities and attract future markets. With horse movement protocols being reviewed with considerable support from our overseas counterpart's, opportunities should be knocking on our doors. Let's take full advantage of this interest of our wonderful sport to effect positive and sustainable changes.

**Arnold Hyde**  
**Chief Executive**

*Key Figures for 2018*



NHA Expenditure



5 900

Total Racing Analyses



268 Trainers and Assistants



112 Jockeys  
for 41 526 Runners

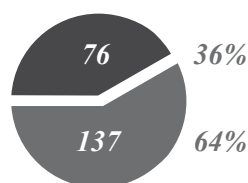
Total Employees



Average Age  
43 years



Full-time Employees



Part-time Employees

Total Employees



Male Female

*Financial Highlights for the year ending 31 July 2018*

	2018	2017	Movement	%		2018	2017	
<b>Revenue</b>	R 80.2m	R 83.9m	↓ (R 3.7m)	-4%	<b>Revenue % split</b>	2018	2017	
Expenditure	R 81.7m	R 76.5m	↑ R 5.2m	7%	Analyses	1%	1%	↓
Operating Profit/(Loss)	(R 1.5m)	R 7.5m	↓ (R 9m)	-120%	Operations	83%	78%	↑
Non-Current Assets	R 48.8m	R 4.8m	↑ R 44m	917%	Registration Fees	11%	10%	↑
Non-Current Liabilities	R 10.4m	R 2.5m	↓ R 7.9m	316%	Stud Book	5%	11%	↓
						100%	100%	

Employment costs as % of Expenditure

Accumulated Fund:                      Average Monthly Costs:  
 2018 – R 34 402 473.00                      2018 – R 6 808 288.67  
 2017 – R 10 265 191.00                      2017 – R 6 370 926.00

Senior Executive costs as % of Employee Costs (2017) = **13%**

Senior Executive costs as % of Employee Costs (2016) = **18%**

# RACING CONTROL



*Mr A D Hyde*

RACING CONTROL  
EXECUTIVE

Horseracing under the Rules of The National Horseracing Authority is conducted throughout the year at 9 Racecourses consisting of 16 race tracks and 3 racing surfaces in six regions, five of which are located in South Africa and one in Zimbabwe.

## *Stipendiary Stewards*

Stipendiary Boards are based in Johannesburg (Central Provinces), Durban (KwaZulu-Natal), Port Elizabeth (Eastern Cape), Cape Town (Western Cape) and Harare (Zimbabwe).

Each Stipendiary Board has direct control of thoroughbred racing in their respective Racing District.

Duties of the Stipendiary Stewards include:

- > Officiating at all race meetings;
- > Ensuring the safe conduct and integrity of racing;
- > Ensuring the welfare of the racehorse;
- > Attending and supervising track work;
- > Conducting stable inspections;
- > Administering drug-testing operations, including out of competition testing;
- > Investigating the use of prohibited substances;
- > Processing licence and permit applications; and
- > Assisting the Starters with the issuing of starting stall certificates for horses and the grading of these horses in the starting stalls.

The Stipendiary Stewards are trained and developed in these different racing districts over an extended period so that they gain the skills, experience and

knowledge necessary to control the race meetings at which they officiate.

The ability to identify participants in races, to assess and recognise the pace at which races are run and to assess whether or not horses and riders are performing to expectation, are fundamental skills required to allow the Stipendiary Stewards to make a determination as to whether or not the Rules of Racing have been breached.

To assist the Stipendiary Stewards all races are filmed by means of cameras located around the track and are reviewed on broadcast quality television monitors after each race.

Stipendiary Stewards are also required to conduct Inquiries and hold hearings in terms of the Constitution and the Rules of The National Horseracing Authority.

Inquiries are conducted on a basis similar to tribunals with the objective of determining the truth of a matter. Inquiries are instituted to investigate possible breaches of the Rules and where breaches are evident, to take the necessary disciplinary action. Outcomes of Inquiries are published in the Racing Calendar.

With the retirements and resignations of experienced Stipendiary Stewards over the years, this has left the NHA with a shortage of experienced staff in this vital department. A decision was taken to provide more exposure and training to these key members of staff and to develop a training and development programme.

## *Investigations*

The Special Investigation Unit which is based at The National Horseracing Authority Head Office in Johannesburg, has attended to a significant number of investigations and complaints over the past 12 months.

Twelve of these investigations have all resulted in formal action and appropriate penalties being instituted against the parties concerned.

The Special Investigator is supported and assisted by the Stipendiary Stewards and on various occasions, joint searches of stables have been undertaken by the Special Investigator, Stipendiary Stewards and the Veterinarians, which have



yielded excellent successes. There is provision for anonymous information to be provided to the Special Investigation Unit which investigates and responds to complaints reported by members of the public via this medium.

## *Veterinary Surgeons*

The National Horseracing Authority employs 3 full-time Veterinary Surgeons who are supported by Veterinary Surgeons in private practice (and who are licensed by The National Horseracing Authority for this role). The primary responsibility of these professionals is to ensure the welfare of the horses that participate in races.

They monitor and observe horses when they arrive in the parade ring, as they canter past the stands and go down to the start. At the start they observe the horses for signs of any problems and respond to reports from riders.

After the start, they follow the field during the race so that they can respond as quickly as possible to any veterinary problems that may occur during the race. Horses are again monitored as they return to the unsaddling area and the Veterinary Surgeons receive feedback from riders when they return.

The Veterinary Surgeons are authorised to give horses any treatment that they deem necessary without reference to any other person. In extreme cases they can euthanase a horse immediately, so as to prevent any unnecessary distress or suffering to the animal. In addition, the Veterinary Surgeons are involved in making recommendations to promote and maintain the welfare of the thoroughbred breed.

The following Veterinary Surgeons who are in private practice, support The National Horseracing Authority Veterinarians:

Eastern Cape	– Dr C Hayward 9th Avenue Vet
Western Cape	– Dr K Meiring Cape Veterinary Equine Practice
Kimberley	– Dr P Swart Kimberley Veterinary Clinic
KwaZulu-Natal	– Dr M Dittberner Summerveld Equine Hospital

– Dr D Crous  
Aragon Veterinary Services  
Baker and McVeigh Equine  
Hospital  
Cross Roads Veterinary Clinic

– Dr P Martin  
Dr L De Freitas  
Coastal Vet Services

Central Province (As Locums) – Glen Austin Equine Clinic  
Hilltops Veterinary Clinic

– Dr J De Villiers  
BlueHills Vet

Duties of the Veterinary Surgeons include:

- > Being responsible for the suspension of horses to ensure adequate veterinary treatment and the soundness of the horse before it is permitted to return to racing;
- > Routine blood sampling is undertaken for investigation of possible abuse of prohibited substances to comply with international standards;
- > Maintain a comprehensive horse data base which allows standards to be maintained according to international trends;
- > Continual close liaison and co-operation with colleagues overseas in order to ensure that the highest international standards are maintained;
- > Research statistics and data accumulated;
- > Involved in research projects, for example, lasix trials, post-race blood examinations and breakdown investigations.

## *Handicappers*

The National Horseracing Authority employs 3 Handicappers. They are responsible for assessing the relative abilities of horses for the purposes of handicapping races and informing the public of their ratings of horses. Every horse's performance is analysed after every race and the relative adjustment updated before its next start. The handicapping system being applied in Southern Africa is similar to that used in other leading racing jurisdictions around the world.

The Asian Racing Federation Handicappers meeting

# RACING CONTROL

took place in Dubai at the end of July 2018. At this meeting horses who have achieved a rating of 115 and more in a Graded or Listed race were discussed.

The following South African raced horses were included:

*LEGAL EAGLE (119)* and *LAST WINTER (119)* were the joint highest rated South African horses of the season. *LEGAL EAGLE* achieved his (119) in the The Queen's Plate (GR1) and *LAST WINTER* achieved his best performance when finishing 2nd in the Sun Met (GR1).

*DO IT AGAIN (118)* achieved his best performance for a three year old in the season when winning the Vodacom July (GR1).

Horse of the year, *OH SUSANNA (AUS)* was included at 115 for winning the Sun Met (GR1).

## Graded Races 2017/18

South Africa staged 29 Grade 1's; 38 Grade 2's; 50 Grade 3's and 71 Listed races over the last season.

## Appeals against Merit Rating

In the event of a Trainer and/or Owner being dissatisfied with the published adjusted merit rating of a Horse owned or trained by such Trainer or Owner, then either of them may lodge a written appeal with the Chief Executive within 10 days of the date of the published adjusted merit rating.

During the 2017/2018 racing season four Merit Rating Appeals were lodged.

## Raceday Officials

### Starters

The National Horseracing Authority employs 4 full-time Starters and 7 part-time Starters. The "Start" of a race forms an integral part of horseracing. The responsibilities of the Starter are to ensure efficient and safe "Starts". Each horse entered for its first race is required to be presented to the Starter for evaluation and certification prior to nomination. Starters are assisted by Stipendiary Stewards at the training centres to facilitate official starting stall practice sessions.

The National Horseracing Authority also employs Handlers, Clerks of Scales, Specimen Collectors, Horse Identifiers and Judges who are essential components of the control of racing. These Officials have particular skills, which are essential to the efficient control of race meetings.

All horses are loaded by draw as in other major international racing jurisdictions and this has resulted in improved tractability and the majority of races starting within two minutes of the carded starting time. When the starting staff are presented with a difficult horse, discretion is permitted to deviate from the loading procedures.

The welfare of the horse and safety of riders is of paramount importance.

## Personnel Changes

The following personnel changes occurred during the year under review:

- > Dr Eugene Reynders, the Western Cape Veterinarian was transferred to Central Provinces as the Chief Veterinary Surgeon in October 2017. He has since resigned and left the NHA in June 2018 to take up the position of Head Surgeon in the new Conghua Training Centre in China, under the Hong Kong Jockey Club.
- > Mr Rakesh Jeewanlall was promoted to the position of Deputy Chief Stipendiary Steward to the KwaZulu-Natal Stipendiary Board from September 2017;
- > Mr Deanthan Moodley, Stipendiary Steward and Legal Counsel was transferred to the Eastern Cape in February 2018.
- > Mr Gavin Foxcroft, a full-time Assistant Starter in KwaZulu-Natal was transferred to Johannesburg as a Stipendiary Steward in July 2018.

## Rule Changes

The National Horseracing Authority reviews its Rules on an ongoing basis so as to ensure that racing is properly regulated, and that the Rules are appropriate in an ever changing environment. This Committee now includes a Trainer, Jockey and Owner representative. These Rules are available on our website.

### *International Harmonisation of Raceday Rules Committee*

The Racing Control Executive sits on the International Harmonisation of Raceday Rules Committee, which meets twice a year.

The Terms of Reference of this Committee are:

1. To identify those rules, in consultation with the Executive Council of the IFHA, where a common approach would most benefit racing internationally.
2. To encourage the harmonisation of race day rules and regulations amongst member countries so as to promote the internationalisation of horse racing.
3. To draft proposed articles in respect of those rules, for approval by the Executive Council and subsequent inclusion in the International Agreement on Breeding, Racing and Wagering.
4. To draft proposals, taking into account fairness, integrity, safety and welfare of horse and rider, commercial factors and the confidence of the betting public.

### *Inquiry Review Board*

During the 2017/2018 Racing Season the Inquiry Review Board met on several occasions to review decisions taken by Inquiry Boards



# RACING CONTROL

## Statistics

National Statistics in respect of the year ended 31 July 2018 are set out hereunder.

### National Statistics - 1 August 2017 to 31 July 2018

	CP	KZN	WC	EC	ZIM	Total
Number of Races	<b>1 550</b>	<b>880</b>	<b>666</b>	<b>578</b>	<b>166</b>	<b>3 840</b>
	(1 577)	(967)	(701)	(598)	(160)	(4 003)
Number of Meetings	<b>174</b>	<b>107</b>	<b>80</b>	<b>69</b>	<b>23</b>	<b>453</b>
	(180)	(115)	(84)	(71)	(22)	(472)
Number of Runners	<b>17 847</b>	<b>9 694</b>	<b>6 639</b>	<b>6 106</b>	<b>1 240</b>	<b>41 526</b>
	(17 208)	(11 010)	(7 199)	(7 054)	(1 237)	(43 708)

Number of Trainers	<b>71</b>	<b>41</b>	<b>24</b>	<b>12</b>	<b>4</b>	<b>152</b>
	(67)	(42)	(26)	(14)	(6)	(155)
Number of Assistant Trainers	<b>42</b>	<b>30</b>	<b>21</b>	<b>6</b>	<b>2</b>	<b>101</b>
	(50)	(29)	(21)	(9)	(3)	(111)

Jockeys	<b>43</b>	<b>26</b>	<b>21</b>	<b>10</b>	<b>12</b>	<b>112</b>
	(42)	(27)	(28)	(11)	12)	(120)
Apprentices	<b>3</b>	<b>15</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>22</b>
	(4)	(14)	(3)	(1)	(0)	(22)

Admissions of guilt	<b>320</b>	<b>77</b>	<b>116</b>	<b>128</b>	<b>20</b>	<b>661</b>
	(365)	(210)	(127)	(95)	(35)	(895)
Fines imposed	<b>262</b>	<b>41</b>	<b>87</b>	<b>104</b>	<b>20</b>	<b>514</b>
	(277)	(160)	(101)	(77)	(33)	(648)
Suspensions	<b>58</b>	<b>29</b>	<b>20</b>	<b>16</b>	<b>0</b>	<b>123</b>
	(79)	(42)	(22)	(17)	(1)	(161)
Warnings	<b>0</b>	<b>7</b>	<b>9</b>	<b>8</b>	<b>0</b>	<b>24</b>
	(9)	(8)	(4)	(1)	(1)	(23)

Inquiries held	<b>23</b>	<b>20</b>	<b>15</b>	<b>14</b>	<b>0</b>	<b>72</b>
	(36)	(26)	(15)	(13)	(0)	(90)
Appeals heard	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
	(3)	(1)	(0)	(0)	(0)	(4)

Objections	<b>18</b>	<b>9</b>	<b>9</b>	<b>6</b>	<b>0</b>	<b>42</b>
	(29)	(18)	(7)	(9)	(3)	(66)

Figures in brackets ( ) denote figures from 1 August 2016 to 31 July 2017

## *Inquiries and Appeals*

**72** (90) Inquiries and **2** (4) Appeals were held during the year under review.

Figures in brackets ( ) denote figures from 1 August 2016 to 31 July 2017

## *Admissions of Guilt*

In the year under review **661** (895) breaches of the Rules were dealt with by means of the Admission of Guilt procedure.

Figures in brackets ( ) denote figures from 1 August 2016 to 31 July 2017

## *Objections*

During the year under review there were 42 (66) Objections.

	2018	2017		2018	2017
Lodged by licensed officials	13	13	Upheld	11	12
			Overruled	2	1
By connections	29	53	Upheld	7	11
			Overruled	22	42

2018 figures: 1 August 2017 to 31 July 2018; 2017 figures: 1 August 2017 to 31 July 2018

## *Horses Suspended*

**655** (665) horses were suspended during the period under review.

	2018	2017
Intractability	480	482
Lameness / Post Race Distress / Other	25	28
Epistaxis (Bleeding)	150	145

2018 figures: 1 August 2017 to 31 July 2018; 2017 figures: 1 August 2017 to 31 July 2018

Over the last couple of seasons, there has been a marked increase in the number of horses being suspended for intractability at the start, and during the pre-race parade. This is indicative of stricter control of the loading procedures and the emphasis that all horses that are presented to race, should display the appropriate racing manners. It is imperative that races are started on time and that the safety of the riders and welfare of the horses receive the utmost attention.

## *Winning Favourites*

Region	Winning Favourites		Total No. Races		%	
	2018	2017	2018	2017	2018	2017
Central Provinces						
Turffontein	209	301	596	945	31.37 %	31.85 %
Vaal	99	94	610	271	36.00 %	34.69 %
Kimberley	76	79	327	308	24.32 %	23.70%
Eastern Cape	195	154	562	597	45.83 %	25.80 %
KwaZulu-Natal	269	315	880	979	18.06 %	32.18 %
Western Cape	185	253	608	694	20.75 %	36.46 %
Zimbabwe	52	44	167	160	31.82 %	30.56 %

2018 figures: 1 August 2017 to 31 July 2018; 2017 figures: 1 August 2016 to 31 July 2017

## THE LABORATORY



*Dr S S de Kock*  
LABORATORY DIRECTOR

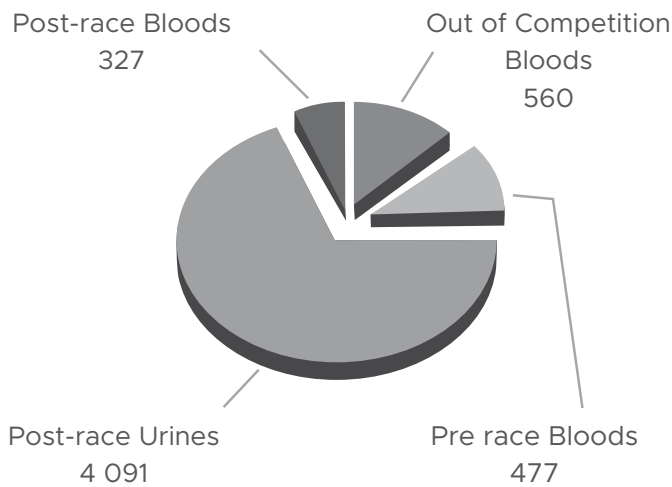
Prohibited and forbidden substances in the racehorse are a threat to both the integrity of horseracing and the welfare of the horse. While some substances will provide the horse with a race advantage exceeding the inherent ability of the horse, other substances will cause it to suffer a disadvantage. Many of these substances have the ability to compromise the welfare of the horse and safety at the track.

The effective detection of these substances in racehorses and the formalisation of positive findings are key responsibilities of the NHA Laboratory. As part of this mechanism, close to 6 000 specimens and samples are analysed every year. To make successful prosecution possible, a system of race day specimen collection procedures is in place, supported by security protocols that incorporate a chain of custody and traceability. This entails the collection of primarily post-race urines, which totalled 4 091 specimens for the season. There were also 477 pre-race bloods and 327 post-race plasma (centrifuged blood) specimens collected. Specimens that reported positive during racing totalled 19. Many of these were for the presence of caffeine.

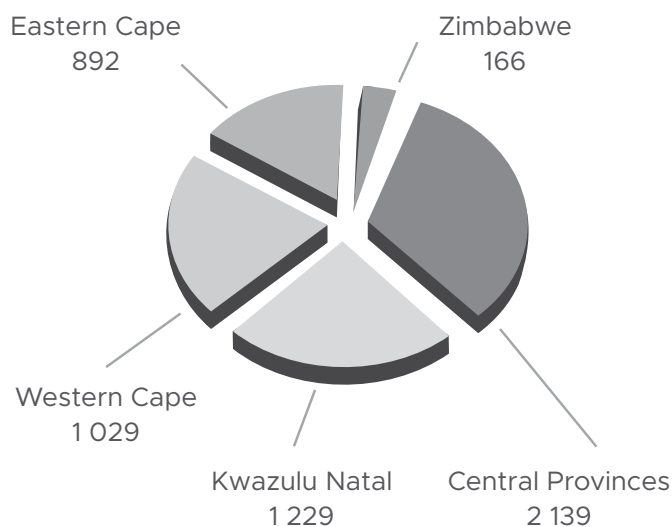
On the track riders are breath tested for the presence of alcohol. Urine samples are collected from them for banned substance analysis. The screening is directed at substances that would impair the judgement of the rider, thus protecting the safety of not just the rider but also the horse. Rider testing totalled 367 samples during this season, with a single finding of a banned substance.



## Equine Specimens Per Type



## Equine Specimens Per Racing Area



Testing of the horse at times other than racing is also important. This is termed “out of competition testing”. Accordingly approximately 100 official, unexpected stable yard visits were made in conjunction with specimen collection. At the same time veterinary treatment registers (VTR’s) were checked for completeness, correctness and the compliance of veterinary and other treatment entries.

Following the subsequent analysis of these specimens, the substances which were detected were correlated against treatments recorded in the corresponding registers. Where there is a discrepancy, a “non-compliant prohibited substance finding” must be declared. Of the 386 out of competition specimens collected and tested, no non-compliant findings were reported. Other surprise stable visits provided 174 additional out of competition specimens. Such out of competition testing does not only provide the checks of veterinary control, procedures and administrations, it also serves as a mechanism to monitor the welfare of the horse.

During such stable visits there is also an option to collect items by means of a system of security bags and formal documents to support security and traceability. Many confiscated items thus obtained were tested for prohibited substances, with prosecution when prohibited practices were noted. The Laboratory has to conform to strict requirements to provide the required service to, and control over, the industry. An efficient quality management system has to operate as a framework to guarantee compliance, organisation and traceability.

The existing ISO/IEC17025 quality system has been in place for 25 years and it is currently being upgraded to the most recent standard. Adherence to this system is regularly assessed on-site and audited by SANAS (the SA National Accreditation System) as the national accreditation body. This body also ensures method, procedural and criteria compliance to the ILAC-G7 quality requirement which is a specific, additional requirement for racing laboratories.

There are however also other regulatory horseracing screening and confirmation requirements and criteria which must be followed. These include the range of substances to be screened with prescribed sensitivities, required by the International Federation of Horseracing Authorities (IFHA), some additional substances with screening limits listed by the Asian Racing Federation (ARF) and compliance with the Association of Official Racing Chemists (AORC) on scientific requirements and acceptance criteria for screening and confirmation for substance detection, identification and quantification.

# THE LABORATORY

Compliance to the AORC requirement furthermore entails external proficiency testing of the Laboratory in that prohibited substance presence must be positively identified in externally supplied blind specimens and that the independent external re-analysis of our own local negative specimens must confirm that these do in fact not contain any prohibited substances. During 2017 and 2018 the Laboratory achieved a 100% result within both the positive and negative testing programs.

A dedicated quality department is in place to implement the required quality policies, procedures, methods and forms. The controls that are employed then also ensure a check on the critical compliance to the international racing requirements. This department controls the training of the staff, the requirements for instrument performance, method compliance and the acceptance of analysis results.

The attendance and participation of our Laboratory at conferences of the Association of Official Racing Chemists is an important opportunity to share with our peers our findings, research and development. During 2018 the Laboratory Directorate attended an international hands-on training workshop in advanced scientific techniques and presented four scientific papers at the International Conference for Racing Analysts and Veterinarians.

The 2017 / 2018 racing period coincided with a challenging refurbishment period within the Laboratory as it recovered from a fire which occurred during June 2017. Screening and confirmation capabilities were quickly re-established and the infrastructure refurbishment process was accompanied with some redesign and modernisation of the Laboratory layout and equipment. Four advanced new mass spectrometry instruments were installed as part of this process, to greatly benefit our capabilities.

The field of prohibited substance control in horseracing is challenging as it incorporates a wide range of prohibited substances to be screened. The best possible compliance is achieved as a combination of the right infrastructure and instrumentation, the required quality system compliance, the appropriate methods and procedures to support these and the

expertise within the team of highly experienced and trained scientists. The instrumentation required is specialised and advanced and most of such equipment is sourced overseas. The selection of these instruments is important to provide the required capability and capacity, with the consideration that long term technical and service support must be provided by the supplier. These need to be set up for our racing testing requirement in the science to be conducted as well as the best way for the result to be reported. The instruments must also be ideally suited to screen and detect those substances of concern to racing.

Highly potent substances require sensitive detection and numerous newer substances are unconventional, such as new generation peptides and proteins. Forbidden substances are those that the racehorse should never be exposed to and those are of most concern from a horse welfare perspective. The effective screening of these is a high priority and methods are constantly being developed to best detect and prosecute for these substances.

The Laboratory and its complement of equipment and advanced instrumentation is designed to best service the requirement of efficient and cost effective analysis of racing specimens and samples. Contract analyses are therefore only considered when these can be accommodated in our racing workload, without the possibility of compromising our service to the racing industry. It is therefore not surprising that the majority of our contract analyses are highly aligned in methodology to those we routinely conduct for horseracing. This limits the impact of such work on our own operations while at the same time providing a highly competitive price to these clients. All profits are offset against the cost of racing analysis.

Within horseracing we act as a positive analysis confirmatory facility for overseas horseracing clients. For our clients within equine disciplines and sports we (in addition to actual analysis) provide a system of sample security, traceability, chain of custody and associated procedures and paperwork. These include the Endurance Ride Association of SA, SA Equestrian Federation, the Saddlebred Society of SA, the SA Hackney Breeders, SA Hackney Ponies,



SA Show Jumping, Namibia Endurance Ride Association, the Arab Horse Society and the SA Boerperd Horse Breeders' Society.

We are highly experienced in the field of prohibited substance screening in race pigeon faeces. In addition to our local client, the SA National Pigeon Organisation, we are conducting analyses for several European countries, most prominently Belgium.



# RACING ADMINISTRATION



***Ms H Kayiya***  
RACING ADMIN  
EXECUTIVE

Racing Administration consists of three departments. Stud Book, Registration and Licencing and Information Services.

## **Stud Book:**

The South African Stud Book operates under the rules of the National Horseracing Authority and International Stud Book Committee.

The objectives of the Stud Book are to:

- ensure the true parentage of all Thoroughbreds born in, or imported into South Africa; and
- record and publish the breeding lines in accordance with international standards as per the International Agreement on Breeding, Racing and Wagering.

## **Registration and Licencing:**

This department co-ordinates racing related registrations, licencing, and administration relating to Trainers, Jockeys and Owners, including Partnerships and Syndicates. It deals with licencing, registrations and administration relating to owners, trainers, jockeys and new owners who wish to join the racing fraternity.

## **Information Services:**

This department manages the integration and recording of all data, statistics, forms and information maintained on the National Database. Information Services continues to collaborate with other departments to improve information flow and Synergy with regards to Statistics and information about Jockeys, Trainer, Owners and Breeders.

Our sincere thanks to Dr Schalk de Kock who was acting as head of Racing Admin since July 2016 and has subsequently handed over to Ms Hazel Kayiya as from 01 April 2018.

## ***Stud Book Department***

Over the past several months the Stud Book Department has made great strides in addressing critical issues that have been pending over the past few years. Key deliverables for 2018 have included:

- Submitting to the ISBC Volume 32 of the General Stud Book of Southern Africa (South Africa and Zimbabwe), which contains records of mare returns from 2012 to 2016;
- Submitting to ISBC 2016/2017 returns of mare's supplement;
- Correcting the imported horses registered in the South African Stud Book (and issued with a name) without approval from the horse's Stud Book of birth;
- Aligning the naming policy to international standards;
- Implementing the online name reservation system;
- Inaccurate and incomplete records of horses within the NHA database were updated. We are continually reviewing the database to identify and correct such records;
- The introduction of a new passport in July 2018 to align not only with African Horse Sickness Protocols but also with international standards; and
- Concerning governance, significant progress was made with the updating of policies and procedures.

### Breeding Statistic

In this challenging economy with South Africa in a technical recession coupled with political turmoil the most negatively impacted sector of the economy over the past year has been Agriculture. This is evident in foal crop dropping just below three thousand to 2924. Of these 1461 were colts and 1463 were fillies. This [decrease in foals] was driven mainly by a decline in breeders which resulted in a 12% drop of active mares for the year ending July 2018.

	2017	2016	2015	2014	2013
Microchipped	2 924	3 181	3 188	3 325	<b>3 106</b>

### Mares

The number of mares registered for breeding over the last five years respectively is shown below:

Registered	2017	2016	2015	2014	2013
Mares	3 631	4 241	3 197	4 155	<b>3 593</b>

### Stallions

The 2017 foal crop was produced by 116 stallions of which ten were standing overseas. The top 10 stallions produced 30% of the total foal crop. The top 20 stallions accounted for 50% of the microchipped foal crop.

The top producing stallion was Gimmethgreenlight (AUS) with 102 foals recorded as 46 colts and 56 fillies. The second and third top producing stallions were Querari (GER) and Coup De Grace (USA) with 97 and 90 foals respectively.

The number of stallions registered in South Africa over the past five years is shown below:

Active	2017	2016	2015	2014	2013
Stallions	116	165	106	129	<b>131</b>

*As with broodmares, the number of stallions will likely increase due to late registrations.*

### Imports and Exports

Imports for both breeding and racing have also been affected with 68 horses being imported into South Africa for the year 31 July 2018, of those 43 were from Australia and 19 from Ireland. This is a 58% drop in imports from 2017 where the recorded was 165. Exports were also affected with 19 exports being recorded of which 11 horses were to Hong Kong.

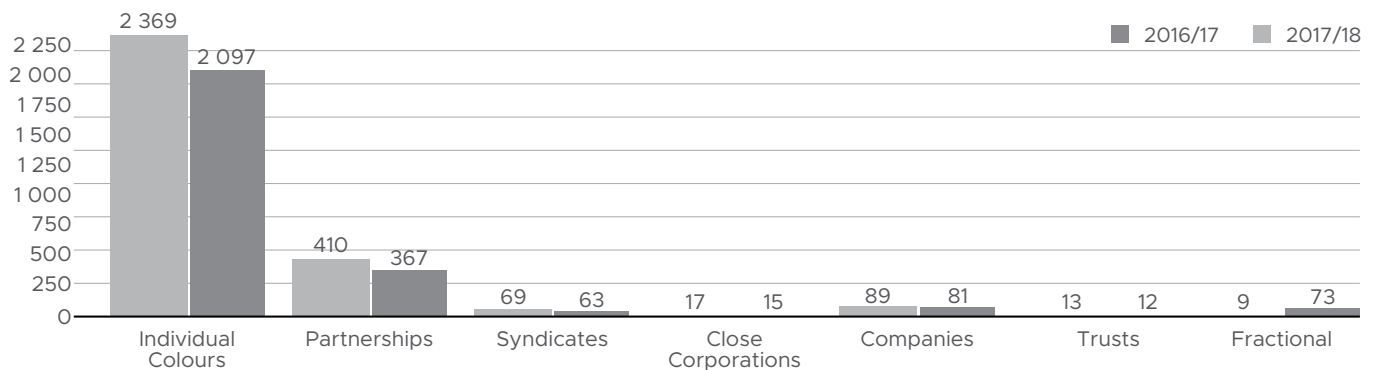
### Registration and Licensing

The declining trend of registration and licencing continued for the year under review. It is of concern that the number of individual colour holder and assistant trainers has decreased by 12%.

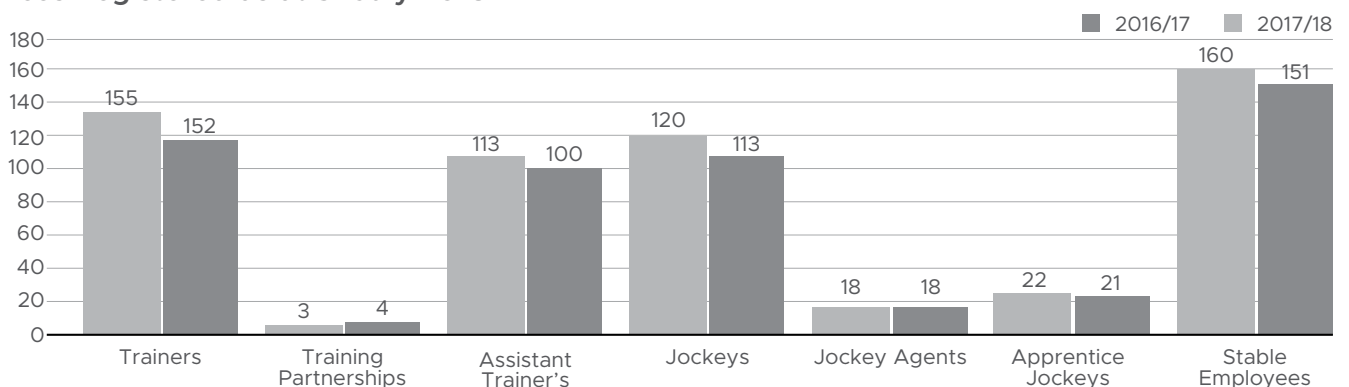
The tables below show the number colour holders and the number of persons in various categories as listed that were registered by the NHA as at 31 July 2018, together with the corresponding numbers for the previous year.

# RACING ADMINISTRATION

## Colour Holders Registered as at 31 July 2018



## Licences Registered as at 31 July 2018



## Information Services

One of the critical projects that the information services department has embarked upon was the review of the IT Architecture. The investment in IT was seen as a priority from 2016, and the upgrades have been characterised with much-improved control and network stability.

Driven by the commitment to provide accurate, informative and efficient information The Racing Admin department has embarked on a process of updating the information systems platforms. The current ongoing projects include:

1. Online Name Reservation System which is now in use. The manual and online system are being used together up until such a time all the names in the horse reservation book have been transferred to the online system. Breeders are encouraged to make use of the online naming platform to reserve names.
2. Development of an Online Breeder Platform to address critical problems raised by the breeders and to align Stud Book services to international protocol. The platform is now on the testing phase.
3. Development of a new colour program to offer a greater variety of colours and to be able to accommodate silk designs in light of the restrictions being removed.
4. It was identified that the racing calendar and other racing information displayed on the website are quite cumbersome, especially when trying to search for information due to the data being stored in pdf formats. Pdf documents including the racing calendar on the website will be phased out to a pure web format.

# MARKETING AND COMMUNICATIONS



**Mr L J A Barends**  
CHIEF EXECUTIVE

The purpose of the Marketing and Communications Department is to promote the vision and mission of the organisation and to increase brand awareness, not only amongst the Horseracing Stakeholders but to the general public as a whole.

## Design

- > **Theme for 2017 – Journey to Excellence.** An internal campaign aimed at rewarding the success of staff members, as a means to encourage staff members in their Journey to Excellence.
- > Designed new office wallpapers and canvasses in line with the theme.
- > Designed all marketing material e.g. brochures, business cards, annual reports, event invitations, corporate gifts and all company branded Marketing material.

## Brand Recognition And Awareness

The following Brand Recognition and Awareness campaigns took place during the 2017 financial year:

- > **The new and improved NHA website** – the 2017 season saw the launch of the new NHA mobile optimized website which is user friendly with a cleaner, easier look and feel. Two of the NHA staff members attended a Joomla Website Development Course to better equip themselves to complete website updates.

- > **The NHA vehicle wrap** – The NHA has chosen this method of advertising as statistics shows that vehicle wrapping is the most cost-effective method of creating brand awareness.
- > **Publication advertising** – In order to have successful marketing campaigns, traditional print media was utilised as it still is a valuable medium to build brand awareness. Articles were placed in the Parade Magazine, October 2017 edition, as well as the International Racehorse Magazine, April 2018 edition.
- > **Newsletter to Stakeholders** – The NHA Newsletter, “From the Horse’s Mouth”, which started in May 2016 is circulated every month to majority of the Horseracing Stakeholders. The look and feel of the newsletter changes with every new financial year theme. The 2017 theme was “Journey to Excellence”.
- > **Uniforms** – The importance of uniforms as a marketing tool has undoubtedly led to a focus on branding to help boost the NHA image, improve customer perceptions and also make employees feel more like part of a team. New suits, NHA designed ties and scarves, golf shirts, conti-suits, jerseys, shirts and rain jackets have been issued for all NHA raceday staff.
- > **Horse Show of the Year** – In February 2018 the NHA was one of many sponsors of the Horse Show of the Year 2018. This event has been running for many years and it is definitely by far the most prestigious of horse shows in South Africa. The NHA had a stand at the event and sponsored the “Racehorse to Show Horse” trophy for that class.

## Stakeholder Engagement

- > **Life Colour Holders** – This project was started to recognise the NHA’s long standing owners. Even though it was only a small gesture to our Life Colour Holders, their certificate and the NHA badge, really meant a lot to our Stakeholders.

# MARKETING AND COMMUNICATIONS

- > **Media Breakfasts** – The media breakfasts held in the different regions has been a huge success. Engagement is the cornerstone to reaching your audience and building brand equity. The NHA endeavoured to provide Stakeholders with maximum information and to be transparent and this is something we strive to achieve.

## *Social Media*

The NHA Twitter page was launched at the beginning of July 2018. Twitter is an easy way for the NHA to keep up with what's happening not only locally but internationally as well and to connect with clients and organizations within the Horseracing industry. Twitter analytics and statistics show that within the first month on Twitter, the NHA tweets received good impressions and our reach continues to grow on a daily basis. Within the first month, the NHA had 131 followers.

## *Graduate/Internship Programme*

The NHA Graduate and Internship Programme started in 2016 with the objective of injecting new ideas and a fresh approach into the day to day running of The National Horseracing Authority. Every 6 months between 5 and 7 interns are selected into the internship program. The NHA has already absorbed 2 interns on a permanent basis.

## *Asian Racing Conference (ARC2020)*

Following the bid to host the Asian Racing Conference in 2020, two months of intense research and preparation paid off and The National Horseracing Authority won the bid in May 2018 to host the Asian Racing Conference in Cape Town, South Africa, in February 2020.

The baton was officially handed over to the NHA at the closing ceremony of the Asian Racing Conference 2018.





**Mr B Sibanyoni**  
FINANCE AND ADMIN  
EXECUTIVE

## *Strategic Talent Management Report*

### **Employee Career and Professional Growth**

The NHA recognises that its employees are its most vital resource and is therefore committed to ensuring that all employees receive appropriate education and training in their desired fields.

Training and development programmes were introduced to enable staff to acquire the skills, and knowledge to develop their potential, subject to the availability of funds. The budget for training and development has been increased substantially.

NHA has applied for a mandatory grant for 2018 which was approved and a new Skills Development Facilitator approved by CATHSSETA and will be paid and implemented in the 2018/19 financial year.

The mandatory grant application was based on the training plan developed and approved during January 2018.

### **Internship**

The NHA prepared and submitted a proposal to introduce young people to the sport of horseracing. The proposal was approved by CATHSSETA. The project was allocated to Work Integrated Program (WIP), and seven (7) interns from the Training and Vocational Colleges (TVET) were sourced to work at the NHA for a period of six (6) months commencing from the 1st April – 30th September 2018. Two (2) of the interns were allocated in the Greyville race course and 5 (five) were allocated in the Turffontein race course. The internship program in 2018 has been more intense and structured to ensure that quality interns are given the necessary exposure

and experience in the horseracing industry for both administration and technical work.

### **Staff Wellness Day**

On the 18th July 2018 (Mandela day), Discovery Health in partnership with Alexander Forbes hosted a wellness day and the four main health risks were tested confidentially and staff were given feedback on their:

- > Blood glucose
- > HIV
- > Blood pressure
- > Cholesterol

About 73 staff members tested for all 4 major risks above and formal reports were generated online. Staff was advised to make lifestyle changes to improve the quality of life, effectiveness and efficiency in the workplace.

### **Employee Assisted Program**

The NHA is in a process of procuring a service provider to deliver an Employee Assisted Program for staff with personal problems and challenges. The services will be for legal advice, financial advice and psychological advice. This will assist the employees to cope and balance work and life pressures so the company's goals are achieved.

### **Performance Appraisals**

The NHA has a performance assessment in place. During 2018, two performance reviews were conducted for employees and feedback was granted. The interim performance appraisal was conducted at the end of January and the final appraisal was conducted at the end of May. The KPIs were confirmed with the relevant line manager and signed off by the Executive Committee.

# HUMAN RESOURCES

## Employment Equity

The tables below show the profiles of the race groups at the various employment levels.

01 August 2017- 31 July 2018

Occupational Categories	Males				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	-	1	-	2	1	-	-	-	4
Senior Management	1	-	1	5	-	-	-	1	8
Professionals and mid Management	5	-	2	14	1	-	1	7	29
Technicians and Supervisors	3	-	-	2	10	2	2	11	30
Unskilled	1	-	-	-	4	-	-	-	5
<b>Total Permanent Staff</b>	<b>10</b>	<b>1</b>	<b>3</b>	<b>23</b>	<b>16</b>	<b>2</b>	<b>2</b>	<b>19</b>	<b>76</b>
Racemeeting Officials (Part-time)	70	4	4	28	9	3	-	19	137
<b>Total</b>	<b>80</b>	<b>5</b>	<b>7</b>	<b>51</b>	<b>25</b>	<b>5</b>	<b>2</b>	<b>38</b>	<b>213</b>

1 August 2016-July 2017

Occupational Categories	Males				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Director	-	1	-	2	-	-	-	-	3
Senior Management	-	-	-	5	-	-	-	1	6
Professionals and mid Management	2	-	3	7	-	-	1	2	15
Technicians and Supervisors	8	-	-	8	7	3	1	16	43
Unskilled	1	-	-	-	5	-	-	-	6
<b>Total Permanent Staff</b>	<b>11</b>	<b>1</b>	<b>3</b>	<b>22</b>	<b>12</b>	<b>3</b>	<b>2</b>	<b>19</b>	<b>73</b>
Racemeeting Officials (Part-time)	59	-	2	39	4	-	-	20	124
<b>Total</b>	<b>70</b>	<b>1</b>	<b>5</b>	<b>61</b>	<b>16</b>	<b>3</b>	<b>2</b>	<b>39</b>	<b>197</b>



## *Administration Report*

### **Building Repairs and Maintenance of equipment**

Due to the aging of the building and the decaying of the infrastructure. The financial year has seen many unexpected costs and repairs to the aging NHA building structure, including:

- > Replacement of certain laboratory assets damaged by fire.
- > Replacement of car ports damaged by rain.
- > Procurement of gym equipment for staff wellness
- > Replacement and re-enforcement of the roof
- > Replacement of cameras and alarm system
- > Installing of electric wire around the building

### **Information Technology**

The NHA is currently in the process to replace the following items:

- > Replacement of furniture in the regions
- > Rewiring of the IT office
- > Replacing of old computer equipment in the regions



# HUMAN RESOURCES



Absent

*Central Province*

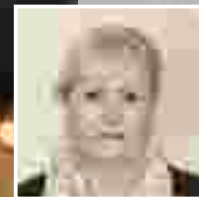


Absent

*Kwazulu Natal*



*Eastern Cape and Kimberley*



Absent

*Western Cape*

# FINANCE

## ANNUAL FINANCIAL STATEMENTS

*For the year ended 31 July 2018*

The report and statements set out below comprise the annual financial statements presented to members:

Report of the Independent Auditors	37
Report of the Directors	39
Statement of Financial Position	41
Statement of Comprehensive Income and Statement of Changes in Equity	42
Statement of Cash Flows	43
Accounting policies and notes to the Annual Financial Statements	43
The Trainers' and Riders' Benevolent Fund	63
Detailed Statement of Comprehensive Income	64

*Mr B Sibanyoni (Financial Manager: NHA) was responsible for the preparation of the annual financial statements.*

**Level of Assurance:** *These financial statements have been audited.*



***Mr B Sibanyoni***  
FINANCE AND ADMIN EXECUTIVE

## *Directors' Responsibilities and Approval*

The directors are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Authority as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Authority and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Authority and all employees are required to maintain the highest ethical standards in ensuring the Authority's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Authority is on identifying, assessing, managing and monitoring all known forms of risk across the Authority. While operating risk cannot be fully eliminated, the Authority endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The directors have reviewed the Authority's cash flow forecast for the year ending 31 July 2019 and they are satisfied that the Authority has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Authority's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 37 and 38. The annual financial statements set out on pages 41 to 64, which have been prepared on the going concern basis, were approved by the board of directors on 02 November 2018 and signed on their behalf by:

**K P Truter**  
Chairman



**A D Hyde**  
Chief Executive



# FINANCE

## REPORT BY THE INDEPENDENT AUDITORS

The National Horseracing Authority of Southern Africa.

### *Opinion*

We have audited the annual financial statements of The National Horseracing Authority of Southern Africa set out on pages 39 to 64, which comprise the statement of financial position as at 31 July 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of The National Horseracing Authority of Southern Africa as at 31 July 2018, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual financial statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other information*

The directors are responsible for the other information. The other information comprises the

directors' report which we obtained prior to the date of this report. Other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the directors for the annual financial statements*

The directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with the accounting policies as per note 1, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the directors are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

## REPORT BY THE INDEPENDENT AUDITORS – CONTINUED


### *Auditor's Responsibilities for the Audit of the Annual Financial Statements*

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- > Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- > Obtain an understanding of internal control relevant to the audit 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 club's internal control.
- > Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- > Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the club's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the club to cease to continue as a going concern.
- > Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Nolands Inc.**

Registered Auditors

Practice number: 900583e

**Per: Rafael Gomes CA (SA), RA**

Director

30 November 2018

Cape Town

# FINANCE

The National Horseracing Authority of Southern Africa

## REPORT OF THE DIRECTORS

*For the year ended 31 July 2018*

The directors submit their report for the year ended 31 July 2018.

### 1. *Review of business and review of financial results and position*

The Authority is engaged in the business of regulating both the sport of thoroughbred horseracing and the breeding of thoroughbred horses in Southern Africa. The Authority operates principally in South Africa.

The results and financial position of the Authority for the year ended and as at 31 July 2018 are set out on pages 41 to 64 of the annual report.

### 2. *Going Concern*

The financial statements have been prepared on a going concern basis which presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 3. *Directors*

The directors of the Authority during the accounting period and up to the date of this report were as follows:

**Mr K P Truter** (Chairman)

Joined 2015

**Mr A G O'Connor**

Joined 2015, Retired 2017

**Mr L J A Barends** (Chief Executive)

Joined 2016, until September 2018

**Adv P Stais SC**

Joined 2017

**Mr C S Beyleveld**

Joined 2001, until November 2017

**Mr R J Trotter**

Joined 2001

**Mr J J Du Toit**

Joined 2016

**Adv S M Lebala SC**

Joined 2018

**Mr S M Dolamo**

Joined 2017

**Mr R L Bruss**

Joined 2018

**Mr A D Hyde**

Joined 2015

The business and postal addresses of the Authority are as follows:

*Business address:*

Turffontein Racecourse

14 Turf Club Street

Turffontein

*Postal address:*

P O Box 74439

Turffontein

2140



## REPORT OF THE DIRECTORS - CONTINUED

### **4. *Property, plant and equipment***

There were no changes in the nature or use of property, plant and equipment during the year.

During the prior year, a fire occurred in the laboratory which caused significant damage to certain items of laboratory equipment. The carrying value of the items damaged was R 7,211,679 (refer note 2 to these annual financial statements).

The cumulative insurance refund received from Price Forbes, the Authority's insurers, to date amounts to R 31,180,634 (VAT inclusive).

### **5. *Auditors***

Nolands Inc have been appointed as auditors for the 2018 financial year and will continue in office until the next Annual General Meeting.

### **6. *Liquidity and Solvency***

The directors have performed the required liquidity and solvency tests and have no reason to believe that the business will not be a going concern in the year ahead.

### **7. *Subsequent Events***

The directors are not aware of any significant subsequent events that have an impact on the financial statements as at 31 July 2018.

### **8. *Date of authorisation for issue of financial statements***

The financial statements have been authorised for issue by the directors on 02 November 2018. No authority was given to anyone to amend the financial statements after the date of issue.



# FINANCE

The National Horseracing Authority of Southern Africa

## STATEMENT OF FINANCIAL POSITION

*At 31 July 2018*

	Note	2018 R	2017 R
<b><i>Assets</i></b>			
<b><i>Non-current assets</i></b>			
Property, plant and equipment	2	27 286 272	4 793 539
Investment property	3	21 500 000	21 500 000
		<b>48 786 272</b>	26 293 539
<b><i>Investments</i></b>			
The Trainers' and Riders' Benevolent Fund	page 63	92 545	290 815
		<b>92 545</b>	290 815
<b><i>Current assets</i></b>			
Trade and other receivables	4	2 606 779	1 525 893
Cash and cash equivalents	6	10 462 655	11 953 392
		<b>13 069 434</b>	13 479 285
<b><i>Total assets</i></b>		<b>61 948 251</b>	40 063 639
<b><i>Equity and liabilities</i></b>			
<b><i>Equity</i></b>			
Accumulated funds		35 393 643	10 265 191
Revaluation reserve	3	14 500 000	14 500 000
		<b>49 893 643</b>	24 765 191
<b><i>Non-current liabilities</i></b>			
Post-employment medical benefits	7.1	1 344 635	917 268
Other financial liabilities	8	214 488	1 284 367
The Trainers' and Riders' Benevolent Fund	page 63	92 545	290 815
		<b>1 651 668</b>	2 492 450
<b><i>Current liabilities</i></b>			
Provision for leave pay	7.2	1 471 433	613 952
Trade and other payables	9	5 202 144	6 448 450
Other financial liabilities	8	3 729 363	5 743 595
		<b>10 402 940</b>	12 805 997
<b><i>Total equity and liabilities</i></b>		<b>61 948 251</b>	40 063 639

The National Horseracing Authority of Southern Africa

**STATEMENT OF COMPREHENSIVE INCOME***For the year ended 31 July 2018*

	Note	2018 R	2017 R
<b>Revenue</b>	11	<b>81 044 888</b>	83 969 390
<b>Operating expenses</b>	13, 15	<b>81 560 225</b>	76 451 111
<b>Operating (loss) / profit</b>		<b>(515 337)</b>	7 518 279
> Interest received		515 148	339 515
> Finance costs	14	(515 385)	(866 632)
> Loss on disposal of property, plant and equipment		(57 434)	(7 185 365)
> Insurance refund		26 128 827	998 768
> Foreign exchange losses		(-)	(2 588)
> Fair value adjustment	3	-	1 500 000
		<b>25 555 819</b>	2 301 977
<b>Profit for the year</b>			
Other comprehensive loss item that will never be reclassified to profit or loss			
> Post employment medical benefits	7.1	(427 367)	321 000
<b>Total comprehensive loss for the year</b>		<b>25 128 452</b>	2 622 977

The National Horseracing Authority of Southern Africa

**STATEMENT OF CHANGES IN EQUITY***For the year ended 31 July 2018*

	Revaluation Reserve (Note 3)	Accumulated Funds	Total Equity
<b>Balance at 1 August 2016</b>	<b>14 500 000</b>	<b>7 642 216</b>	<b>22 142 216</b>
<b>Total comprehensive income for the year</b>	-	<b>2 622 977</b>	<b>2 622 977</b>
> Profit for the year	-	2 301 977	2 301 977
> Remeasurement of post-employment medical benefits	-	321 000	321 000
<b>Balance at 31 July 2017</b>	<b>14 500 000</b>	<b>10 265 191</b>	<b>24 765 191</b>
<b>Total comprehensive income for the year</b>	-	<b>25 128 452</b>	<b>25 128 452</b>
> Profit for the year	-	25 555 819	25 555 820
> Remeasurement of post-employment medical benefits	-	(427 367)	(427 367)
<b>Balance at 31 July 2018</b>	<b>14 500 000</b>	<b>35 393 643</b>	<b>49 893 643</b>

# FINANCE

The National Horseracing Authority of Southern Africa

## STATEMENT OF CASH FLOWS

*For the year ended 31 July 2018*

	Note	2018 R	2017 R
<b><i>Operating activities</i></b>			
Cash generated from operating activities	17	27 961 010	9 731 104
<b><i>Net cash generated / (utilised)</i></b>		<b>27 961 010</b>	<b>9 731 104</b>
<b><i>Investing activities</i></b>			
(Increase) / Decrease in Investments		(198 270)	(199 776)
Interest received		515 148	339 515
Property, plant and equipment acquired		(26 169 129)	(1 378 517)
<b><i>Net cash outflow on investing activities</i></b>		<b>(25 852 251)</b>	<b>(1 238 778)</b>
<b><i>Financing activities</i></b>			
(Decrease) in other financial liabilities		(3 084 111)	(2 781 972)
Finance costs		(515 385)	( 866 632)
<b><i>Cash (utilised) from financing activities</i></b>		<b>(3 599 496)</b>	<b>(3 648 604)</b>
<b><i>(Decrease) / Increase in cash and cash equivalents</i></b>		<b>(1 490 737)</b>	<b>4 843 722</b>
Cash and cash equivalents at beginning of year		11 953 392	7 109 670
<b><i>Cash and cash equivalents at end of year</i></b>		<b>10 462 655</b>	<b>11 953 392</b>

The National Horseracing Authority of Southern Africa

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*31 July 2018*

### 1. Accounting policies

The annual financial statements are prepared in accordance with International Financial Reporting Standards. The accounting policies are consistent with those applied in the previous year, except for certain new standards and interpretations as set out in note 1.10. The adoption of these new standards and interpretations had no impact on the results for the year nor has it required the restatement of any prior year numbers.

#### 1.1 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Authority; and the cost of an item can be measured reliably. Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

## (1.1 Property, plant and equipment - continued)

Depreciation has been provided for by using the following average rates and bases that are assessed on an annual basis:

- 1.1.1 Buildings on leasehold properties are written off over 50 years on the straight line basis.
- 1.1.2 Motor vehicles, Laboratory Equipment, Furniture, Office Equipment, Computer Equipment and Computer Software, are depreciated over 5 years on the straight-line basis. Certain Laboratory Equipment may be depreciated over a longer or shorter period depending on the useful life of the asset.
- 1.1.3 The residual value and the useful life of each asset is reviewed at each financial period-end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item

## 1.2 *Investment property*

Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the Authority, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

### *Fair value*

Subsequent to initial measurement, investment property is measured at fair value. A revaluation is done every two years on the investment property.

A gain or loss arising from a change in fair value is included in profit or loss for the period in which it arises.

## 1.3 *Provisions*

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event, can be reliably measured and it is probable that the Authority will be required to settle the obligation. The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

### 1.4 *Financial instruments*

The Authority classifies financial instruments, or their component parts, on initial recognition as a financial asset or a financial liability in accordance with the substance of the contractual arrangement. Financial assets and financial liabilities are recognised on the Authority's statement of financial position when the Authority becomes party to the contractual provisions of the instrument.

The Authority derecognises a financial asset when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Authority is recognised as a separate asset or liability. The Authority derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

#### *Trade and Other Receivables*

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

#### *Cash and cash equivalents and investments at call and on short-term deposit*

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at bank, cash on hand and call deposits.

Cash and cash equivalents are initially and subsequently measured at fair value.

#### *Trade and Other payables*

Trade payables and other payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

#### *Other Financial liabilities*

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

(Other Financial liabilities - continued)

Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Financial liabilities include borrowings and amounts owing on the Trainer's and Riders' Benevolent Fund.

## 1.5 *Inventories*

Inventories are valued at the lower of cost or net realisable value. Cost is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

## 1.6 *Impairment of assets*

The Authority assesses at each statement of financial position date, whether there is any indication an asset may be impaired. If any such indication exists, the Authority estimates the recoverable amount of the asset. If there is impairment it is written off to profit and loss. The recoverable amount of assets is the greater of their fair value less costs to sell and their value in use. In assessing their value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

## 1.7 *Employment benefit costs*

**Short-term benefits** - The cost of short-term employee benefits, (those payable within 12 months after the service is rendered) are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised in profit and loss as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

**Defined contribution plans** - Payments to defined contribution retirement benefit plans are charged to profit and loss as services are rendered.

**Post-employment medical aid benefits** - The authority provides certain post-employment medical benefits to employees who were members of the medical aid scheme in 2004. Actuarial gains and losses are recognised in other comprehensive income in the year that they are incurred.

## 1.8 *Benevolent Fund*

Included under Investments and Non-current liabilities are amounts related to the Benevolent Fund. Beneficiaries receive monthly grants arising from these funds. During the prior year, and up until 11 July 2016, 20% of fines were allocated to the Benevolent Fund.

## 1.9 *Revenue and Income*

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Authority and the revenue can be measured reliably.

Income is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of Value Added Tax. Interest is recognised, in profit or loss, using the effective interest rate method.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

### (1.9 Revenue and Income - continued)

When the outcome of a transaction involving the rendering of services can be estimated reliably, income associated with the transaction is recognised at the statement of financial position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied: the amount of income can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Authority and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

The Authority collects the breeder levy on behalf of the Thoroughbred Breeder's Association and pays this over to them in accordance with the actual foals registered according to the Racing Calendar that is published.

### 1.10 *Standards and interpretation effective and adopted in the current year*

In the current year, the Authority has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard \ Interpretation	Details of amendments	Annual periods beginning on or after
IAS 7 Statement of Cash Flows	> Disclosure Initiative: Amendments requiring entities to disclose information about changes in their financing liabilities. The additional disclosures will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses).	1 January 2017

### 1.11 *Standards issued but not yet effective*

The Authority has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Authority's accounting periods beginning on or after 1 August 2017 or later periods:

Standard \ Interpretation	Details of amendments	Annual periods beginning on or after
IFRS 9 Financial Instruments	> A final version of IFRS 9 has been issued which replaces IAS39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition:	1 January 2018



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

Standard \ Interpretation	Details of amendments	Annual periods beginning on or after
IFRS 9 Financial Instruments (continued)	<ul style="list-style-type: none"> <li>&gt; IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as “fair value through other comprehensive income” in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.</li> <li>&gt; The new model introduces a single impairment model being applied to all financial instruments, as well as an “expected credit loss” model for the measurement of financial assets.</li> <li>&gt; IFRS 9 carries forward the derecognition of requirements of financial assets and liabilities from IAS39.</li> </ul>	*IFRS9 (2014) supersedes any previous versions of IFRS 9, but earlier versions of IFRS9 remain available for application if the relevant date of application is before 1 February 2015*
IFRS 16 Leases	<p>New standard that introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.</p> <ul style="list-style-type: none"> <li>&gt; A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.</li> <li>&gt; A lessee measures right-of-use assets similar to other non-financial assets (such as property, plant and equipment) and lease liabilities. As a consequence, a lessee recognizes depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows.</li> </ul> <p>IFRS 16 contains expanded disclosure requirements for lessees.</p> <p>IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.</p>	1 January 2019

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

(1.11 Standards issued but not yet effective - continued)

Standard\ Interpretation	Details of amendments	Annual periods beginning on or after
IFRS 16 Leases (continued)	IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.	1 January 2019 (continued)
IFRS 15 Revenue from Contracts from Customers	<p>New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers.</p> <ul style="list-style-type: none"> <li>&gt; The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.</li> <li>&gt; The new standard supersedes: <ul style="list-style-type: none"> <li>(a) IAS 11 Construction Contracts;</li> <li>(b) IAS 18 Revenue;</li> <li>(c) IFRIC 13 Customer Loyalty Programmes;</li> <li>(d) IFRIC 15 Agreements for the Construction of Real Estate;</li> <li>(e) IFRIC 18 Transfers of Assets from Customers; and</li> <li>(f) SIC-31 Revenue - Barter transactions Involving Advertising Services.</li> </ul> </li> </ul>	1 January 2018

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

### **1.12** *Presentation currency*

All amounts have been presented in the currency of South African Rand which is the functional currency of the Authority.

### **1.13** *Lease transactions*

Rentals payable under operating leases are charged to profit and loss on a straight line basis over the term of the lease.

### **1.14** *Use of estimates, judgements and assumptions made in the preparation of the financial statements*

In preparing the financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgements are inherent in the formation of estimates. Significant estimates and judgements made, relate to the measurement of impairment losses relating to trade and other receivables, residual values, useful lives and depreciation methods, employee obligations and asset impairment tests. The nature and carrying amounts of the items affected by these estimates, where applicable, are indicated in the notes relating to these items.

The following estimates are included:

- > Trade receivables-Trade receivables past due were impaired to management's best estimate of the recoverable amount. Investment Property-Investment Property is accounted for by using the fair value model. Employee obligations - Employee obligations is accounted for by using the present value of future obligations.

### **1.15** *Related Parties*

A party is related to the Authority if the party has control, joint control or significant influence over the Authority; the party is a member of key management personnel of the entity or its parent; or the party is a close family member of the family or individual referred to above.

### **1.16** *Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Authority takes into account characteristics of the liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS2 or value in use in IAS36.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

## (1.16 Fair value measurement - continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- > Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date,
- > Level 2 inputs, are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- > Level 3 inputs are unobservable inputs for the asset or liability.

**2. Property, plant and equipment**

	Balance at beginning of year	Additions	Disposals	Depreciation	Balance at end of year
<b>2018</b>	R	R	R	R	R
Improvements on Leasehold Properties	1 816 587	454 072	–	52 505	2 218 154
Computer Equipment	236 603	181 229	10 964	108 276	298 592
Computer Software	13 729	139 122	–	29 901	122 950
Furniture and Fittings	205 353	598 030	–	160 320	643 063
Laboratory Equipment	2 212 885	24 512 637	49 516	3 144 349	23 531 657
Motor Vehicles	157 180	–	–	31 436	125 744
Office Equipment	151 202	284 040	1 629	87 501	346 112
<b>Total</b>	<b>4 793 539</b>	<b>26 169 130</b>	<b>62 109</b>	<b>3 614 288</b>	<b>27 286 272</b>

<b>Made up as follows:</b>	Assets at Cost	Accumulated Depreciation	Carrying Value
	R	R	R
Improvements on Leasehold Properties	4 972 493	2 754 339	2 218 154
Computer Equipment	697 625	399 033	298 592
Computer Software	218 277	95 327	122 950
Furniture and Fittings	1 662 477	1 019 414	643 063
Laboratory Equipment	27 898 939	4 367 282	23 531 657
Motor Vehicles	177 939	52 195	125 744
Office Equipment	980 685	634 573	346 112
<b>Total</b>	<b>36 608 435</b>	<b>9 322 163</b>	<b>27 286 272</b>

Note: During the prior year, a fire occurred in the laboratory which resulted in some laboratory equipment being damaged. The damaged laboratory equipment was subsequently impaired (refer below table). The cumulative insurance refund received from Price Forbes, the Authority's insurers, to date amounts to R 31,180,634 (VAT inclusive).

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

(2. Property, plant and equipment - continued)

	Balance at beginning of year	Additions	Disposals	Depreciation	Balance at end of year
<i>2017</i>	R	R	R	R	R
Improvements on Leasehold Properties	1 078 797	771 012	–	33 222	1 816 587
Computer Equipment	261 817	67 672	–	92 886	236 603
Computer Software	14 203	6 444	–	6 918	13 729
Furniture and Fittings	293 605	52 017	–	140 269	205 353
Laboratory Equipment	11 493 568	283 403	7 211 679	2 352 407	2 212 885
Motor Vehicles	–	177 939	–	20 759	157 180
Office Equipment	218 105	20 028	–	86 931	151 202
<b>Total</b>	<b>13 360 095</b>	<b>1 378 517</b>	<b>7 211 679</b>	<b>2 733 392</b>	<b>4 793 539</b>

<i>Made up as follows:</i>	Assets at Cost	Accumulated Depreciation	Carrying Value
	R	R	R
Improvements on Leasehold Properties	4 518 424	2 701 835	1 816 587
Computer Equipment	527 359	290 756	236 603
Computer Software	79 154	65 425	13 729
Furniture and Fittings	1 064 446	859 093	205 353
Laboratory Equipment	3 581 488	1 368 603	2 212 885
Motor Vehicles	177 939	20 759	157 180
Office Equipment	706 414	555 212	151 202
<b>Total</b>	<b>10 655 224</b>	<b>5 861 683</b>	<b>4 793 539</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

**3. Investment property**

	2018	2017
	R	R
Balance at beginning of year	21 500 000	20 000 000
Fair value adjustment	–	1 500 000
<b><i>Balance at end of year</i></b>	<b>21 500 000</b>	<b>21 500 000</b>
<b><i>Carrying value</i></b>	<b>21 500 000</b>	<b>21 500 000</b>

The investment property comprises land and buildings situated on Sub 15 of the farm Summerveld No. 14226, Shongweni and is revalued every second year. The property was valued by Mills Fitchet (East Coast) CC on 31 July 2017, as follows:-

Existing use value of land	6 000 000	6 000 000
Depreciated replacement cost of improvements	15 500 000	15 500 000
	<b>21 500 000</b>	<b>21 500 000</b>

Mills Fitchett (East Coast) CC was represented by R Grobler. The valuator is independent and is recognised as experienced in the location and category of the investment property.

The fair value of the property has been disclosed and is included under level 2 of the fair value hierarchy. The determination of the valuation value of land is based on the “fair value” of the property which has the same definition as the “market value”. This market value is the estimated amount for which a property should be exchanged on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently, and without compulsion. The Depreciated Replacement Cost (DRC) approach was used for the improvements. The method of valuation used for the vacant land was the Comparable Sales Method.

The property cannot, without written approval of The Premier of KwaZulu-Natal, be used other than for the purpose of horseracing, including the stabling and training of race horses, or purposes ancillary thereto.

The revaluation reserve reflects the difference between cost and revaluation, when this property was reclassified as an investment property, from property, plant and equipment in the year ended 31 July 2009.

Subsequent changes in fair value are charged to profit and loss.

During the year there were no transfers between levels in the fair value hierarchy.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

**4. Trade and other receivables**

	2018	2017
	R	R
Accounts receivable is made up as follows:		
Trade receivables	1 686 799	1 326 220
Prepayments	26 937	110 433
Accounts receivable accruals	886 381	56 418
Staff loans	6 662	32 822
	<b>2 606 779</b>	<b>1 525 893</b>

The net carrying value of trade receivables is considered to be a reasonable approximation of its fair value. At 31 July 2018, accounts totalling R636 459 (2017 : R636 917) were trade receivables more than 60 days past due. These relate to customers for whom there is no history of default or there has not been a significant change in credit quality and the amounts are still considered recoverable.

	2018	2017
	R	R
The ageing of trade receivables are as follows:		
Current - 60 days	1 050 340	689 303
60 - 90 days	107 723	93 044
90 days and over	528 736	543 873
<b><i>Balance at end of year</i></b>	<b>1 686 799</b>	<b>1 326 220</b>

The amount of the provision is R515 853 (2017 : R181 291).

	2018	2017
	R	R
The ageing of this provision is as follows:		
30 to 60 days	-	-
60 to 90 days	-	-
90 days and over	515 853	181 291
<b><i>Balance at end of year</i></b>	<b>515 853</b>	<b>181 291</b>

The provision for impairment of trade receivables can be reconciled as follows:

	2018	2017
	R	R
Balance at beginning of year	181 291	283 297
Utilised during the year	(-)	(102 006)
Increase in provision for the year	334 562	-
<b><i>Balance at end of year</i></b>	<b>515 853</b>	<b>181 291</b>

# FINANCE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

### (4. Trade and other receivables - continued)

The creation and release of provision for impaired receivables has been included in profit and loss. Amounts charged to the provision account are written off when there is no expectation of recovery.

The maximum exposure to credit risk at the reporting date is the fair value of trade receivables. The Authority does not hold any collateral as security for trade receivables.

### 5. Inventories

	2018	2017
	R	R
<i>Consumable stores at cost</i>	-	-

Consumable stores are made up of office supplies, cleaning materials and stationery stock on hand.

### 6. Cash and Cash Equivalents

	2018	2017
	R	R
<i>Cash at Banks</i>	<b>10 462 655</b>	11 953 392

The net carrying value of cash and cash equivalents is considered to be a reasonable approximation of its fair value

### 7. Provisions

	2018	2017
	R	R
Post-employment medical benefits	<b>1 344 635</b>	917 268
Leave pay	<b>1 471 433</b>	613 952
<i>Total provisions</i>	<b>2 816 068</b>	1 531 220

#### 7.1 Post-employment medical benefits

The latest valuation of the Authority's post-employment medical benefits obligation, carried out at 31 July 2018, revealed that the present value of projected future benefit obligations amounted to R1 344 635 (2017: R917 268).

During the 2004 financial year, the Authority offered to purchase annuities to offset the past service medical benefits obligation of employees and an increase in salaries to cover the cost of future service. The offer was accepted by all but four employees. At year-end, this provision related to two past employees.

An actuarial valuation was performed at 31 July 2018. Full provision has been made for the liability relating to retired employees.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

## (7.1 Post-employment medical benefits - continued)

The main assumptions used by the actuary are as follows:

Discount rate – 9.5 % per annum (2017 : 9.5%)

Rate of Health care cost inflation – 7.75% (2017 : 8.5%)

Mortality table – PA90 Standard table with a two year adjustment

	2018	2017
	R	R
Balance at beginning of year	917 268	1 238 268
(Decrease) / Increase in provision	427 367	(321 000)
<b><i>Liability recognised at end of year</i></b>	<b>1 344 635</b>	<b>917 268</b>

## 7.2 Provision for Leave pay

	2018	2017
	R	R
Balance at beginning of year	613 952	606 441
Increase (Decrease) in provision during the year	857 481	7 511
<b><i>Balance at end of year</i></b>	<b>1 471 433</b>	<b>613 952</b>

The Authority changed its leave policy during the year under review.

Previously, permanent employees were entitled to accrue a maximum of five (5) days leave at financial year-end. Leave days accrued in excess of five (5) days were forfeited.

The new policy permits the carry forward of leave days to a maximum of six (6) months from date of accrual.

## 8. Other Financial Liabilities

<b>2018</b>	<b>Total</b>	Current Liability	Non-Current Liability
Gold Circle (Pty) Ltd	1 283 852	(1 283 852)	–
Wesbank	2 659 999	(2 445 511)	214 488
	<b>3 943 851</b>	<b>(3 729 363)</b>	<b>214 488</b>
<b>2017</b>	<b>Total</b>	Current Liability	Non-Current Liability
Gold Circle (Pty) Ltd	2 579 393	(1 295 026)	1 284 367
Wesbank	4 448 569	(4 448 569)	–
	<b>7 027 962</b>	<b>(5 743 595)</b>	<b>1 284 367</b>

***Gold Circle (Pty) Ltd***

The loan is unsecured, bears interest at prime minus two percent and is repayable over five (5) years commencing November 2013, at a current monthly instalment of R121 434.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

(8. Other Financial Liabilities - continued)

*Wesbank*

Surety for this loan was received from the Operators in the following ratio:

> Phumelela Gaming and Leisure Ltd	55.32%
> Gold Circle (Pty) Ltd	18.22%
> Kenilworth Racing (Pty) Ltd	26.46%
	<b>100.00%</b>

The loan bears interest at prime plus 0.8% and was initially repayable over three (3) years commencing 1 September 2016, at a monthly instalment of R214 419.

**9. Trade and other payables**

	2018	2017
	R	R
Trade Payables	3 393 316	5 601 569
Vat payable	968 136	846 881
Other payables	840 692	-
	<b>5 202 144</b>	<b>6 448 450</b>

The net carrying value of trade and other payables is considered to be a reasonable approximation of its fair value.

**10. The Jockey Club of South Africa (1974) Staff Pension Fund (in liquidation)**

The fund is administered by Alexander Forbes Financial Services and the most recent actuarial valuation of the fund, at 31 August 2005 was submitted to the Financial Services Board on 17 July 2009, and confirmed that the fund was in a sound financial position. There are no active members in the fund as all members were transferred out during April to June 2003 to the Alexander Forbes Retirement Fund (The National Horseracing Authority Section), and employer contributions ceased on 31 May 2003.

No portion of any fund surplus has been recognised by the Authority pending the distribution of the surplus amongst the various Stakeholders.

The Financial Services Board has appointed a liquidator and the fund is in the process of being wound up.

**11. Revenue**

	2018	2017
	R	R
Analytical testing	781 846	761 251
Levies from racing operators	66 635 983	65 657 675
Registration fees	8 703 270	8 421 411
Stud book registration fees (note 12)	4 917 719	8 958 813
Sundry income	6 070	170 240
	<b>81 044 888</b>	<b>83 969 390</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

**12. Stud Book Registration Fees**

	2018	2017
	R	R
Registration fees	4 181 015	8 142 595
Collected on behalf of the Thoroughbred Breeders' Association	736 704	816 218
	<b>4 917 719</b>	<b>8 958 813</b>

**13. Operating Expenses**

	2018	2017
	R	R
Operating expenses is stated after depreciation:		
> Improvements on Leasehold property	52 505	33 222
> Computer Equipment	108 276	92 886
> Computer Software	29 901	6 918
> Furniture and Fittings	160 320	140 269
> Laboratory Equipment	3 144 349	2 352 407
> Motor Vehicles	31 436	20 759
> Office Equipment	87 501	86 931
	<b>3 614 288</b>	<b>2 733 392</b>

**14. Finance costs**

	2018	2017
	R	R
Interest paid on loan from Gold Circle	163 250	274 674
Interest paid on loan from Wesbank	352 135	591 958
	<b>515 385</b>	<b>866 632</b>

**15. Legal, litigation and disciplinary costs**

	2018	2017
	R	R
Disciplinary and appeal board costs	383 249	1 298 153
Fines (Gross)	(915 250)	(1 657 250)
Operational matters	1 368 120	617 616
	<b>836 119</b>	<b>258 519</b>
Fines transferred to The Trainers' and Riders' Benevolent Fund **	-	-
	<b>836 119</b>	<b>258 519</b>

\*\* Twenty percent of the fines were allocated to the Trainers' and Rider's fund up until 11 July 2016.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

**16. Employment costs**

The Authority did not pay any directors' emoluments during the year to the non-executive members of the board (2017: Nil), other than for travel and accommodation purposes.

	2018	2017
	R	R
Salaries, wages and other benefits	50 785 375	51 714 544
Contributions to pension fund	5 993 334	4 120 960
Contributions to medical aid scheme	2 898 091	2 241 486
	<b>59 676 800</b>	<b>58 076 990</b>
Full-time employees	80	91
Part-time employees	135	131

The salaries and other salary related benefits paid during the year to Executives and Senior management amounted to R14 205 215 (2017: R12 203 104).

**17. Notes to the Statement of cash flows**

Cash generated from operating activities

	2018	2017
	R	R
Total Comprehensive profit for the year	25 128 452	2 622 975
<i>Adjusted for:</i>		
(Decrease) / Increase in post-employment medical benefits provision	427 367	(321 000)
Fair value adjustment	(-)	(1 500 000)
Decrease in the benevolent fund	198 270	199 776
Increase in leave pay provision	857 481	7 511
Interest received	(515 148)	(339 515)
Finance costs	515 385	866 632
Depreciation	3 614 288	2 733 392
Loss on disposal of property, plant and equipment	62 109	7 211 679
<i>Movement in working capital:</i>		
Decrease in accounts receivable	(1 080 886)	85 414
Increase in Leave Pay	-	-
(Increase in Inventory)	-	40 604
(Decrease) in accounts payable	(1 246 308)	(1 876 364)
	<b>27 961 010</b>	<b>9 731 104</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS – CONTINUED

## 18. Contingencies and commitments

### Capital expenditure

Commitments in respect of capital expenditure, approved by the Directors of the Authority, but not yet committed, is R1 518 000 (2017: R2 000 000).

## 19. Taxation

South African Revenue Services have informed the Authority that the original exemption under section 10(1)(cB) of the Income Tax Act, granted to the Authority on 22 August 1978, is still applicable until the Commissioner has informed the Authority of his decision in respect of the re-application for continuance of the original exemption. Accordingly, no tax has been provided for.

## 20. Risk management

The Authority manages its capital to ensure that it will be able to continue as a going concern, while maximising the quality of services rendered.

The capital structure of the Authority consists of debt (non-current liabilities), cash and cash equivalents (including call and short-term deposits) and equity (accumulated funds and reserves).

At the reporting date, there are no significant concentrations of credit risk for accounts receivable. The carrying amount reflected below represents the Authority's maximum exposure to credit risk for such accounts receivable. The carrying value of the financial instruments approximates its fair value.

	2018	2017
	R	R
<b>Financial assets</b>		
Trade and other receivables at amortised cost	2 606 779	1 525 893
Cash and cash equivalents at amortised cost	10 462 655	11 953 392
	<b>13 069 434</b>	<b>13 479 285</b>
<b>Financial liabilities</b>		
Post-employment medical costs	1 344 635	917 268
Trade and other payables	5 202 144	7 062 042
Other financial liabilities	214 488	7 027 962
The Trainers' and Riders' Benevolent Fund	92 545	290 815
	<b>6 853 812</b>	<b>15 298 087</b>

The Authority's activities expose it to a variety of financial risks. These risks include interest rate risk, credit risk and liquidity risk. The Authority does not enter into trade financial instruments, including derivative financial instruments.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

(20. Risk management - continued)

**Market risk**

The Authority's activities expose it primarily to the financial risks of interest rates. Interest rates on cash and short-term deposits, as well as the Gold Circle and Wesbank loan Liabilities, are linked to the prime rate and as such are subject to the movement of prime rates.

Sensitivity analysis: an increase of 1% in the prime interest rate would have decreased (2017: decreased) the Authority's profits by approximately R24 (2017: R52 365) as at year-end.

**Credit risk**

Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in financial loss to the Authority. Potential concentrations of credit risk consist principally of cash and cash equivalents, and deposits with banks and financial institutions, as well as trade receivables. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted. Accounts receivable consist of a number of customers from the racing industry. The management of this risk is discussed under note 4 – Trade receivables.

**Liquidity risk**

The Authority manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the Authority's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

<b>At 31 July 2018</b>	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>
Trade payables	4 361 452	–	–
Other payables	840 692	–	–
Other financial liabilities	3 729 363	214 488	–
Provision for Leave pay	1 471 433	–	–
The Trainers' and Riders' Benevolent Fund	–	–	92 545
Post-employment medical benefits	–	–	1 344 635
	<b>10 402 940</b>	<b>214 488</b>	<b>1 437 180</b>
<b>At 31 July 2017</b>	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>
Trade payables	6 448 450	–	–
Other financial liabilities	5 743 595	1 284 367	–
Provision for Leave pay	613 952	–	–
The Trainers' and Riders' Benevolent Fund	–	–	290 815
Post-employment medical benefits	–	–	917 268
	<b>12 805 997</b>	<b>1 284 367</b>	<b>1 208 083</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

### 21. *Auditors Remuneration*

No provision for audit fees was raised for the 2018 year (2017: R0 was raised and included in Trade payables). The estimated fees quoted for the 2018 audit was R315 000. These figures are exclusive of VAT.

### 22. *Going Concern*

The financial statements have been prepared on a going concern basis which presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 23. *Subsequent Events*

There are no significant subsequent events that have a material impact on the financial statements at 31 July 2018.

### 24. *Related Parties*

Related parties include:

- > Amounts owing by the Authority to Gold Circle (Pty) Ltd as disclosed in note 8.
- > Included in Trade Receivables is an amount of R46 548 for Gold Circle (Pty) Ltd.
- > Levies from the Racing Operators as follows:
 

<i>Phumelela Gaming and Leisure Ltd</i>	R34 420 800
<i>Gold Circle (Pty) Ltd</i>	R16 635 648
<i>Kenilworth Racing (Pty) Ltd</i>	R13 579 536
- > Details regarding the key management personnel's remuneration is disclosed in note 16.



# FINANCE

## THE TRAINERS' AND RIDERS' BENEVOLENT FUND STATEMENT OF FINANCIAL POSITION

*For the year ended 31 July 2018*

	2018 R	2017 R
<i>Assets</i>		
Current assets		
<i>The National Horseracing Authority of Southern Africa - Funds invested with financial institutions</i>	92 545	290 815
<i>Equity</i>		
<b>Accumulated funds</b>		
Balance at beginning of year	290 815	490 591
(Loss) for the year	(198 270)	(199 776)
<b>Balance at end of year</b>	<b>92 545</b>	<b>290 815</b>

The National Horseracing Authority of Southern Africa

## STATEMENT OF COMPREHENSIVE INCOME

*For the Year Ended 31 July 2018*

	2018 R	2017 R
<i>Income</i>		
<b>Percentage of:</b>		
Fines and forfeited deposits	-	-
Licence fees	-	354
<i>Contributions from The National Horseracing Authority of Southern Africa</i>	-	354
<i>Expenditure</i>		
Grants paid during the period	198 270	200 130
<b>(Loss) for the year transferred to accumulated funds</b>	<b>(198 270)</b>	<b>(199 776)</b>

The Trainers' and Rider's Benevolent Fund is administered in terms of the rules of the NHA. Currently there are 12 (2017: 13) beneficiaries of the fund.



The National Horseracing Authority of Southern Africa

**DETAILED STATEMENT OF COMPREHENSIVE INCOME***For the year ended 31 July 2018*

	Note	2018 R	2017 R
<b>Revenue</b>			
Analytical testing		781 846	761 251
Levies from racing operators		66 635 983	65 657 675
Registration fees		8 703 270	8 421 411
Stud book registration fees	12	4 917 719	8 958 813
Sundry income		1 070	399
SAIDF Fees		5 000	169 839
<b>Total revenue</b>	11	<b>81 044 888</b>	<b>83 969 390</b>
<b>Operating expenditure</b>			
Asian conference		804 456	–
Bad debts		77 619	–
Central services		2 228 666	2 092 907
Data processing		396 720	297 333
Laboratory		12 574 498	10 650 750
Legal, litigation and disciplinary costs	15	836 119	258 519
Management		10 869 936	8 413 864
Public relations		1 487 987	1 352 209
Race meeting officials and staff		18 109 775	17 657 243
Regional offices		2 659 722	2 405 109
Registrations and publications		436 111	387 731
Restructuring costs		–	3 609 962
Special investigation unit		902 595	788 313
Stipendiary stewards		15 840 526	16 188 767
Stud book department		4 336 051	3 157 405
Training and Education		153 287	466 622
Transformation and development		137 350	128 500
Veterinary services		6 094 519	5 862 487
<b>Depreciation</b>		<b>3 614 288</b>	<b>2 733 392</b>
<b>Total operating expenditure</b>	13	<b>81 560 225</b>	<b>76 451 113</b>
<b>Operating (loss) / profit</b>		<b>(515 337)</b>	<b>7 518 279</b>
Interest received		515 148	339 515
Finance Costs	14	(515 385)	(866 632)
Loss on disposal of property, plant and equipment		(57 434)	(7 185 365)
Fair value adjustment		–	1 500 000
Compensation from insurance claims		26 128 827	998 768
Foreign exchange losses		(–)	(2 588)
<b>Profit for the year</b>		<b>25 555 819</b>	<b>2 301 977</b>
Other comprehensive income Item that will never be reclassified to profit or loss Post-employment medical benefits	7.1	(427 367)	321 000
<b>Comprehensive Income for the year transferred to Accumulated Funds</b>		<b>25 128 452</b>	<b>2 622 977</b>

This statement is for information purposes only and does not form part of the Annual Financial Statements and is unaudited.

# ORGANISATIONAL STRUCTURE

## *Senior Management*

Mr L J A Barends – Chief Executive  
 Dr S S de Kock – Laboratory Director  
 Mr A D Hyde – Racing Control Executive  
 Ms H Kayiya – Racing Admin Executive

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## *Laboratory*

Dr S S de Kock – Laboratory Director  
 Dr M Rösemann – Assistant Laboratory Director

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## *Licensing and Registrations*

Mrs L Bockel – Manager

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## *Stud Book Keeper*

Ms H Kayiya

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## *Stipendiary Boards*

### *Central Provinces*

Mr L C Anderson – Chief Stipendiary Steward

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### *Eastern Province*

Mr T Khanyile – Acting Chief Stipendiary Steward

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### *KwaZulu-Natal*

Mr F S Parker – Chief Stipendiary Steward  
 Mr R Jeewanlall – Deputy Chief Stipendiary Steward

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### *Western Cape*

Mr E P Rodrigues – Chief Stipendiary Steward  
 Mr N Shearer – Deputy Chief Stipendiary Steward

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### *Zimbabwe*

Mr S Nydam – Stipendiary Steward

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## *Veterinary Surgeons*

Dr E Reynders (Central Provinces)  
 Dr J Jones (Central Provinces)  
 Dr R Sutherland (KwaZulu-Natal)

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## *Handicappers*

Mr R Smith – Manager  
 Mr M Lips  
 Mr L Maharaj

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## *Auditors*

Nolands Inc.

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## *Attorneys*

Rurik McKaiser

### ***Head Office***

The National Horseracing Authority of Southern Africa  
P.O. Box 74439  
Turffontein, 2140  
Tel: 011 683 9283  
Fax: 011 683 5548

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### ***Central Provinces Regional Office***

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Tel: 011 683 9283  
Fax: 011 683 1382

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### ***Eastern Cape Regional Office***

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P.O. Box 5299  
Walmer, 6065  
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Fax: 041 372 1020

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### ***KwaZulu-Natal Regional Office***

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P.O. Box 78101  
Avondale Road, 4101  
Tel: 031 314 1740  
Fax: 031 314 1755

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### ***Western Cape Regional Office***

The National Horseracing Authority of Southern Africa  
P.O. Box 18258  
Wynberg, 7824  
Tel: 021 700 1900  
Fax: 021 797 1343

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### ***Zimbabwe Regional Office***

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*maintaining the integrity of the sport of horseracing*