



IN THE AUSTRALIAN COMPETITION TRIBUNAL

Statement

No. ACT of 2017

Tabcorp Holdings Limited

Proposed acquisition of Tatts Group Limited by Tabcorp Holdings Limited by way of scheme of arrangement

Statement of: David Jewell

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Occupation: Chief Executive Officer, Wyong Race Club and Chairman, Provincial Racing Association of NSW

Date: 21/2 February 2017

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I, David Jewell, Chief Executive Officer of Wyong Race Club (**WRC**) and Chairman of the Provincial Racing Association of NSW (the **PRA**), in the State of New South Wales (**NSW**) say that:

- 1 I am currently the CEO of WRC and the Chairman of the PRA. I was appointed to the position of CEO of WRC on 14 February 2014 and commenced in this role on 31 March 2014. My role at WRC includes the following key responsibilities:

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- (a) day to day management of the Club;
 - (b) administration, marketing and long term strategic planning;
 - (c) managing the Club's relationships with approximately 20 full time and 50 casual staff, as well as independent contractors engaged from time to time;
 - (d) overseeing the financial management of the Club (\$10 million annual turnover);
 - (e) overseeing event management, including race meetings and non-racing events;
 - (f) overseeing the Club's membership; and
 - (g) reporting on all of the above to the Club's Board of Directors.
- 2 I was elected Chairman of the PRA in March 2016. My position as Chairman of the PRA includes:
- (a) facilitating the management, strategic planning and sharing of knowledge between racing clubs in the PRA;
 - (b) liaising with Racing NSW on behalf of the PRA and its constituent clubs in respect of (amongst other issues) funding, broadcasting agreements, wagering and compliance with racing regulations; and
 - (c) acting as a representative for the PRA in the NSW Combined Racing Industry Consultation Group (since April 2016).
- 3 I make this statement in relation to an application by Tabcorp Holdings Limited (**Tabcorp**) to the Australian Competition Tribunal for the proposed acquisition of Tatts Group Limited (**Tatts**), in my position as CEO of the WRC and Chairman of the PRA, and on behalf of the WRC and PRA.

PERSONAL BACKGROUND

Previous Professional Experience in the Racing Industry

- 4 A copy of my curriculum vitae is annexed at **Annexure DJ-1**.
- 5 I have worked in the racing industry for over 45 years. I started out as a racing journalist and writer with prominent newspapers and publications in Bendigo, Albury, Melbourne and Hong Kong, before establishing the monthly glossy Racing & Breeding magazine "Blood Horse" in New Zealand in 1980.

- 6 In 1985 I was appointed General Manager of Blandford Lodge Stud (a bloodstock company that was then listed on the New Zealand Stock Exchange).
- 7 When the Blandford Lodge wound up in 1992, I began my career in race club administration when appointed to the position of General Manager at the Palmerston North-based Manawatu Racing Club, located on New Zealand's North Island. In 2002, the Manawatu Club combined with the Marton Jockey Club, Fielding Jockey Club and Rangitikei Racing Club to form the RACE Group. At that time, I took the position of Chief Executive Officer of the new group and held that role until 2010. In this role, I was responsible for:
- (a) overseeing the RACE Group's continued expansion in 2005 and 2007, when it overtook the Wellington Racing Club and the Otaki Maori Race Clubs;
 - (b) overseeing operations of the Group's six clubs and three major race courses – Awapuni, Trentham and Otaki – which together ran 44 race meetings annually, including seven of New Zealand's 22 Group 1 race days and New Zealand's flagship Wellington Cup Carnival (20,000 attendees each year);
 - (c) overseeing the employment of 50 fulltime and 1,200 casual staff; and
 - (d) substantially growing the business of the RACE Group, in particular, taking its gross operating revenue from \$3 million to over \$19 million in 2008.
- 8 During my tenure at the RACE Group, from 1998 to 2005, I was Chairman of the New Zealand Racing Club Managers Executive Committee, working closely with the New Zealand TAB, as well as the New Zealand Thoroughbred Racing Board and management.
- 9 Following my time at RACE Group, I took up the position of General Manager of Racing and Operations at New Zealand Thoroughbred Racing. In this role, I was responsible for the day to day working relationship with 52 New Zealand thoroughbred race clubs as well as a variety of other industry stakeholder organisations. Additionally, I had oversight of over \$47 million in annual prize money for distribution to the New Zealand thoroughbred race clubs. I held this position from 2010 to 2014.

Other Professional Experience

- 10 From 1995 to 2008, I was the founding board member and Chairman of the Palmerston North-based Destination Manawatu, a regional tourism organisation established by the Palmerston North City Council to increase visitors to the area. Over the course of my time there, the organisation went from employing three to nine full time staff, with an operational budget of \$2 million, including management of two visitor centres.



- 11 In January 2015, following my move to Australia to work for WRC, I was elected Executive Board Member for Central Coast Tourism and am currently the elected Vice Chairman.

Personal Involvement in the Racing Industry

- 12 I have previously owned thoroughbred race horses in New Zealand, but have not had any personal involvement of this kind in the racing industry since moving to Australia.
- 13 The description of racing in Wyong and provincial NSW that is set out below is based on my many years of experience in the industry in the various positions set out above, including my extensive experience with provincial racing in New Zealand, and my current position as CEO of the WRC. As CEO of the WRC, my role is to be aware of WRC's operations. I have some involvement in the day to day operations of WRC and am involved in decision making on behalf of the WRC generally. I regularly communicate with those who report to me about the WRC's business and expect them to raise with me issues and developments that are material to the WRC's business.

PROVINCIAL RACING ASSOCIATION OF NSW

- 14 The PRA is an unincorporated association made up of the following five independent provincial thoroughbred racing clubs in NSW:
- (a) Gosford Race Club;
 - (b) Illawarra Turf Club;
 - (c) Hawkesbury Race Club;
 - (d) Newcastle Jockey Club; and
 - (e) Wyong Race Club.
- 15 The PRA is the primary body responsible for the promotion, supervision and development of racing within the above regions. It is also the primary communication vehicle between the provincial clubs and the state thoroughbred racing control body, Racing NSW.
- 16 The PRA's mission is to:
- (a) encourage participation and provide enjoyment in the sport of horse racing for members, owners, on-course and off-course customers, and industry participants;
 - (b) provide a healthy and vibrant middle tier of horse racing within NSW;



(c) develop relationships with all industry bodies so that the importance of the provincial racing industry and its need to compete on a fair basis with other sectors is understood; and

(d) set the standard for business excellence in NSW horse racing.

17 I am aware, from statistics published in the current Racing NSW Annual Report, that NSW provincial race clubs conduct more races (1020 in 2015-16) than the Sydney metropolitan area (913 in 2015-16). In this way, provincial clubs act as a pipeline, feeding winning horses and trainers into the metropolitan racing sector.

18 Representatives from each of the provincial clubs meet once every two months, usually at Racing NSW's Sydney offices. I chair each of these meetings and Graham Hinton acts as the current secretary for the PRA. Racing NSW CEO, Peter V'Landys, frequently attends PRA meetings to deliver updates to club representatives about developments in the broader racing industry.

19 In my role as Chairman of the PRA, I am familiar with each of the five clubs. Set out below is a brief outline of the four other NSW provincial racing clubs, followed by a more substantial outline of the WRC.

Gosford Race Club (GRC)

20 GRC has operated since 11 November 1913 and, with its extensive history, continues to play a fundamental role in the Central Coast community. The Club recently rebranded itself as "The Entertainment Grounds", a new function and events precinct that aims to diversify the old club's income beyond racing-related revenue streams.

21 In recent negotiations with Racing NSW, the GRC has been pushing for a comprehensive redevelopment of the club's training facilities. In its 2015/2016 Annual Financial Report, the Board of the GRC announced that, should Racing NSW decline funding for such an overhaul (beyond merely continuing to fund small-scale remediation works to "patch up" ongoing problems with facilities), the club will shut down its training facilities at the end of 2017.

Illawarra Turf Club (ITC)

22 The original ITC staged race meetings as far back as 1834, initially held on the site of the current Wollongong Golf Course. The present ITC officially formed in 1976, and took over racing at the Kembla Grange racecourse in December of that year.

23 The ITC now conducts over 30 race meetings a year (33 in the 2015 – 2016 Financial Year), attracting over 65,000 patrons and employing 30 permanent staff and over 150 casual employees each meeting.



- 24 Similarly to the other provincial race clubs in NSW, ITC has employed a range of new measures in an attempt to increase its race day patronage and obtain additional revenue from non-race day functions and events. These measures have included costly upgrades and refurbishments of the Club's property to improve the functionality and general appeal of its facilities.

Hawkesbury Race Club (HRC)

- 25 The HRC was initially constructed from 200 acres of virgin bushland in 1865, and has now been in continuous use for over 145 years since its inaugural race meeting in 1871.
- 26 HRC conduct 25 race meetings a year at the Hawkesbury site, as well as catering for non-racing functions such as conventions, wedding receptions and conferences. Similar to other clubs, in order to diversify its revenue stream, the HRC recently purchased and now operates a 4 star motel, which generated \$319,421 of additional profit in 2015. As well as being necessary for the overall financial sustainability of the Club, I understand that the HRC Board views non-racing revenue stream as an important method to maintain support for a sustainable, strong racing business.
- 27 The Club is currently in the process of obtaining final approval from Racing NSW for construction of a synthetic "all weather" training track.
- 28 Similar to many of the other provincial racing clubs, HRC has positive relationships with a number of local sponsors who frequently use their race days to raise funds for charities. In the 2014 – 2015 Financial Year, over \$450,000 was raised through the HRC to support charitable and non-profit organisations including the Hawkesbury Living Cancer Trust, Westmead Hospital, NSW Firefighters and Camp Quality, amongst a number of others.

Newcastle Jockey Club (NJC)

- 29 The NJC was formed in 1901 and is now the largest provincial club in NSW, operating out of the Broadmeadow Racecourse located two hours north of Sydney. With its proximity to the vast thoroughbred breeding areas in the Hunter Valley, the Club has developed extensive training facilities to service the region, in addition to holding weekly race meetings. The NJC is currently upgrading its track facilities, scheduled for completion in March 2017.
- 30 In addition, NJC has aspirations for a series of other developments over the coming years – including replacement of all televisions on the course with digital flat screens, opening of a new marquee for race day and non-race day events, upgrades to the club gardens, and total renovation of the Broadmeadow Bar, including new TAB and bookmaker facilities.
- 31 I am aware that in the 2016 NJC Annual Financial Report, Matt Benson, the CEO of the Club, noted the positive impact that the \$30,000 increase in prize money to NSW provincial racing

has had on the NJC, reflecting the commitment of Racing NSW to setting up the racing industry for the future.

WYONG RACE CLUB

- 32 Wyong Race Club Limited (ABN 54 943 635 817; ACN 003 608 848) is an Australian Public Company limited by guarantee. It was registered as an Australian Company under the *Corporations Act 2001* (Cth) on 28 October 1988, obtained an ABN on 24 March 2000, and was registered for GST on 1 February 2010. The Club's former name was Wyong District Agricultural Association Ltd. Currently, WRC's other business trading names (registered under the same ABN) are "Central Coast Race Club", "Central Coast Racing", and "Central Coast Turf Club".
- 33 The Club's primary business is to host race meetings at the Wyong Racecourse, located on the central coast of NSW about an hour north of the Sydney CBD. WRC owns the land and facilities at Wyong Racecourse. The WRC has a schedule of 22 race meetings per year. The key race meetings hosted by the WRC include:
- (a) The Annual Wyong Gold Cup – a 2,100m race with prize money of \$160,000;
 - (b) Mona Lisa Stakes – a 1,300m fillies and mares race with prize money of \$120,000;
 - (c) The WRC Championships – a \$150,000 qualifying race for the Provincial Championships Final (1400m), hosted at Randwick Racecourse during "The Championships"; and
 - (d) Magic Millions Days – consisting of two races:
 - (i) a 2 year old classic, raced over 1,100m with prize money of \$200,000; and
 - (ii) a 3 and 4 year old race over 1,200m with prize money of \$100,000.
- 34 General admission to the course is free for members and children. For non-members, admission is typically \$7.00 for adults and \$3.00 for pensioners (increased to \$10.00 and \$5.00 respectively on special event race days).
- 35 In addition to hosting race meetings, WRC also provides stabling and training facilities for the Central Coast thoroughbred racing industry, with local trainers and owners utilising the facilities to prepare thoroughbred horses for WRC (and other) race meetings. Currently, over 220 horses are based at the Wyong racecourse. In 2015-16 the Club upgraded its facilities, with the addition of a new equine swimming pool and a new course pump and irrigation system.
- 36 The current Wyong Race Club Board of Directors is comprised of the following individuals:
- (a) Garry Whitaker (Chairman);



(b) Marion Langlar (Deputy Chair); and

(c) Mark Waugh AM, John Waghorn, Denis Hanley, Craig Ellis, and Andrew Paton-Smith (Directors).

37 WRC is one of the most successful provincial clubs in Australia and is now regarded by many jockeys as one of the best and safest racecourses in NSW. The Board has established a long term vision for WRC's future: "to be a Racing and Training Centre of Excellence, incorporating high quality Member and community facilities."

History of Racing in Wyong

38 The Wyong region has a long history of horse racing. The first racecourse in Wyong was constructed in 1875 in a paddock in West Wyong. In 1898, with the initial course considered unsafe for racing, a new course was built near the lake at Tuggerah. For the first race meeting held at the new course, special trains ran from Sydney and Newcastle over two days.

39 Due to constant flooding from the nearby lake, the Tuggerah course could not be used in wet weather. In 1911, a new course was built and opened north of the Tuggerah one. Later still, when further drainage problems continued to upset the race meetings, a third course was built between the Wyong River and Lake Road, Tuggerah.

40 The first racecourse in the Wyong Township itself was built in 1912, on the same site as the present track. After closing down during the Second World War, the course re-opened on 14 September 1946. The club was briefly closed again in 1955 during the construction of a new grandstand (costing 22 thousand pounds), which was later demolished and replaced by the Paul Levick Stand in 1991 (at a cost of \$6 million). This grandstand remains today and, having recently undergone further renovations, is regarded by many as the best function centre in the district.

Membership

41 In 2016, WRC gained 157 new members, increasing the overall membership (taking into account resignations and retirements) from a total of 298 to 425.

42 Retaining members is a crucial element of the WRCs long term strategy. Members currently enjoy free entry to the course, as well as a 10% discount on beverages across all race meetings. Members do not have a pecuniary interest in the land or any assets of the WRC.

43 WRC also partners with a number of race clubs in New South Wales and Victoria, to allow members "reciprocal membership privileges", such as free entry. Amongst others, these currently include the Armidale Jockey Club, Australian Turf Club, Dubbo Race Club, Hawksbury

Race Club, and Illawarra Race Club in NSW, and the Wamambool, Geelong, Kyneton District and Bendigo Jockey Racing Clubs in Victoria.

Role of WRC and other provincial clubs in their community and the broader racing industry

44 I am aware of the IER's 2014 report prepared for the NSW Office of Liquor, Gaming and Racing. A copy of relevant extracts of this report referred to in this statement are annexed at **Annexure DJ-2**. The report outlines the size and scope of the NSW thoroughbred racing industry. Set out below are findings and estimations from that report that relate to WRC and the Central Coast region. I understand that other provincial clubs provide similar economic and social contribution in their respective provincial areas.

Economic and social impact of racing on communities in Wyong and the NSW Central Coast

45 The thoroughbred racing industry has generated both economic and social benefits for Wyong and the NSW Central Coast region for many years. The NSW Central Coast have two thoroughbred racing clubs, WRC and GRC. Between these clubs, the NSW Central Coast hosts 43 thoroughbred race meetings per year, with 1,608 members and an annual attendance in excess of 60,000 (see pages 23-25 of Annexure DJ-2).

46 Thoroughbred racing in the Central Coast is responsible for total direct expenditure of \$64 million per year, generating \$71.3 million in "value added" per year (i.e., income, salaries, profit etc.) (see page 71 of Annexure DJ-2). Further, between GRC and WRC, Central Coast thoroughbred racing has a total of 1,851 industry participants (i.e., employees, volunteers etc.). These participants include:

- (a) 1,415 involved in producing racing animals (including breeders, trainers, owners, etc.); and
- (b) 316 involved in producing the racing product (including jockeys, club volunteers, independent contractors, and 19 full time and 160 part time club staff) (see page 71 of Annexure DJ-2).

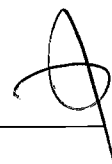
This level of participation amounts to approximately 600 full time employees each year attributable to the Central Coast thoroughbred racing industry.

47 Beyond the economic contribution generated, thoroughbred racing provides a range of social and community benefits to the Central Coast region. Individual and community well-being is enhanced by race day and non-race day activities initiated by WRC and GRC, as well as by partnerships formed with local businesses and community organisations. Moreover, thoroughbred racing events foster social cohesion, attracting community members of all ages, genders and socio-economic status (see page 50 of Annexure DJ-2).

- 48 The community impact of provincial thoroughbred racing clubs is reflected by the WRC Board taking the view that the Club is a community asset. Whilst the Club's dining facilities are frequently rented out for corporate and social events, a discount fee is applied for community organisations such as the Local Chamber of Commerce. Further, volunteer rescue services use the Club's property without paying rent, whilst local schools use the facilities as a cross-country course, similarly free of charge.
- 49 In addition, multiple charity organisations frequently partner with WRC as sponsors, and use WRC race days to raise funds for community welfare initiatives. By way of example, Westpac Rescue Helicopters and local Rotary Clubs will often elect to sponsor a particular race day, and use that as a fundraising event for their members in addition to other WRC patrons. Other provincial race clubs often similarly partner with local charity organisations.
- 50 Currently, WRC's main sponsorship partners include: Carlton and United Breweries, Central Coast Holden, Kooindah Waters Report, Westpac Rescue Helicopter Service, Jeep Central Coast, Turf Care, Carlton, BioChem Water, Doylo, Winning Commercial, Go Wholesale Electrical and Data Supplies, Central Coast Express Advocate, and Senpos Point of Sale Solutions.
- 51 In general, the WRC's sponsors are organisations who either do business with the Club, or who have a genuine interest in racing and wish to give back to that community.
- 52 Local businesses utilise country and provincial race days to host staff and clients in a friendly and safe social environment. Further, a corporate day out at the races is a popular event for the local community to attend with friends and colleagues and have an enjoyable day out.
- 53 WRC conducts a number of themed race days throughout year. By way of example, over 2000 people attended our recent (January 22, 2017) Family Raceday where the club provided a host of free amusement rides, activities and promoted a Kids Fashion on the Field competition with more than \$3000 in donated prizes. Other themed events include Ladies Day in August, Christmas at the Races in December and Blues Brews and BBQ in March where significant numbers of first time racegoers are attracted by the supporting promotions on the day, not just the racing itself.

Role of provincial clubs in the NSW racing industry

- 54 In general, I see the country and provincial race day as an experience that is greatly valued by the local community. The experience is one that, more often than not, is the very first introduction that individuals have to the racing industry. An initial attendance to a provincial race meeting often leads individuals to "having a punt". Subsequently, due to their first race day experience, individuals often continue to attend other race meetings (provincial, country and



metropolitan), start following racing events off-course, and even consider investing in part-ownership of a horse.

- 55 Additionally, I am of the view that punters are typically introduced to wagering by an initial on-course experience. Whilst recent years have seen a rise in online off-course wagering, I see that punters often “move” online to corporate bookmakers after first experiencing on-course wagering with the state totalisator operator or on-course bookmaker.
- 56 From a broader industry point of view, provincial clubs such as WRC play a significant role in the overall health and vitality of the racing industry in NSW. Provincial clubs act as a crucial intermediary and a service-provider for both country racing and the metropolitan market.
- 57 Provincial race clubs typically run all their race meetings mid-week, whilst also providing substantial training facilities for “beginner horses”. These races and facilities provide opportunities for trainers and owners in the local region, as well as country racing participants. Further, provincial racing events allow less experienced horses and industry participants to “earn their stripes” and potentially qualify for larger, more lucrative metropolitan races. Many of the horses, trainers and jockeys that make up the metropolitan racing product begin their careers in the racing industry at provincial race clubs.

WAGERING IN THE NSW THOROUGHBRED RACING INDUSTRY

- 58 A fundamental part of provincial thoroughbred racing for patrons and viewers is the ability to place a bet on the outcome of the race, enhancing the inherent entertainment value of racing. In this way, the availability of wagering options draws punters to engage with thoroughbred racing. Similarly, wagering operators build their business around the product delivered by the racing industry. The better the racing product, the better business should be for wagering operators. As a result, wagering and thoroughbred racing are intrinsically linked and profit from the success of each other.
- 59 Historically, if a member of the public wanted to view and place a bet on a thoroughbred race meeting hosted by a provincial race club, they had to attend the racecourse, where they had the opportunity to place a bet with on-course bookmakers or the on-course totalisator. Today, although race day patrons can still place a bet with the on-course totalisator (and for some thoroughbred race meetings, on-course bookmakers), a large proportion of race day patrons bet with both corporate bookmakers and totalisator operators via mobile applications. Further compounding the effect of rising digital wagering, the broader distribution of the vision of race meetings (through television via Sky Racing and, increasingly, through digital platforms) has allowed punters to view and bet on races without attending the racecourse, either at retail outlets operated by the NSW totalisator operator or elsewhere via television, mobile devices or computers.

60 Today, based on my experience at WRC, in relation to provincial thoroughbred race meetings, I am of the view that the majority of punters view race meetings from off-course (i.e., via television broadcasts or digital platforms) and bet online via mobile applications with both corporate bookmakers and State totalisator operators.

Wagering types and operators

61 There are two types of wagering operators that offer wagering products on NSW provincial thoroughbred races: totalisator (or "tote") operators; and bookmakers (both on-course and corporate).

62 A totalisator operator offers a type of wagering known as pari-mutuel wagering which involves all of the wagers that are placed on an event being pooled together. The totalisator operator deducts a fixed percentage from the pool (in NSW, this amount ranges from 14.25% to 25%, depending on the bet type), with the remainder of the pool available for distribution as a dividend to the winning punter(s).

63 In pari-mutuel betting, the payout received by the punter is determined by the percentage of the total pool that is placed on each selection. That is, the size of the pool is impacted by each new bet placed and consequently each punter's potential payout. With smaller totalisator pools, subsequent bets have a greater impact on the potential payout quoted for preceding bets. This is why smaller totalisator pools are less attractive for punters, as there is much less certainty as to the return to the punter.

64 In NSW, the totalisator pool is known as the "NSWTAB pool", and only consists of bets placed with the NSW TAB (Tabcorp). There are two other totalisator pools operated in Australia: the "SuperTAB pool", consisting of the Tabcorp run Victoria and ACT pools, and the Western Australia WA TAB; and the "UBET pool", consisting of Queensland, Northern Territory, South Australia and Tasmania. The UBET pool is operated by UBET (owned by Tatts).

65 On the other hand, corporate bookmakers (as well as UBET and TAB) offer fixed odds betting, where the wagering operator manages a "book" and quotes odds for each horse in the race. The punter retains the odds that have been quoted to them at the time the wager is placed. In fixed-odds betting, the wagering operator carries the risk of each bet on their books (unlike pari-mutuel betting).

66 Corporate bookmakers also offer "totalisator derivative products". Broadly, these products seek to replicate the dividends from pari-mutuel betting, without punters having to bet into totalisator pools. Typical tote derivative products include "best tote" or "top tote", where the winning punter receives the highest dividend paid out by any of the three Australian tote pools, as well as more specific products, reflecting the dividend of a specific tote pool.



Views on the wagering market and NSW racing industry

- 67 Over recent years, I have observed that overall, wagering has materially increased at WRC events and on NSW thoroughbred racing events. With that being said, TAB wagering in the NSW racing industry has steadily diminished, whilst wagering with corporate bookmakers has grown in both popularity and lucrativeness.
- 68 I am aware of the Racing Australia Factbook. The Factbook compiles the data in wagering activity in the Australian thoroughbred racing industry. In particular, the data shows the division between wagers placed with the TAB and wagers placed with bookmakers. From the data, it is clear that there has been an overall increase in wagering activity on thoroughbred racing over the past 10 years. However, the specific make up of that wagering has substantially changed. The data clearly shows that there has been a shift in wagering activity from the TAB to corporate bookmakers. Similarly, the data over the same period shows a rise in wagers placed via the telephone and internet.
- 69 As a result of these changes in wagering activity, I have observed that WRC's (and other provincial clubs') funding from Racing NSW has remained more or less static. That is, although total wagering has clearly increased, distributions to support race clubs has not similarly increased.
- 70 The Provincial sector received \$26m (exclusive of GST) from Racing NSW Scheme of Distribution through its Tabcorp earnings in 2015/16 as its share of the Intra Code funding, exclusive of Race Fields revenues. I have extracted at **Table 1** below, the distribution received by the Provincial clubs each financial year, from 2006/7 through to 2015/16 which I have sourced from the 2016 Chairman's Report for the NSW PRA, which demonstrates this trend.

Table 1: financial extract from 2016 Chairman's Report Provincial Racing Association

Financial Year	Distribution	Variation
2015/16	\$26.0m	(+) 1.2%
2014/15	\$25.7m	(+) 6.2%
2013/14	\$24.2m	(-) 2.8%
2012/13	\$24.9m	(+) 1.3%
2011/12	\$24.5m	(-) 0.4%
2010/11	\$24.6m	(-) 2.8%
2009/10	\$25.3m	(+) 1.6%
2008/09	\$24.9m	(+) 9.2%
2007/08	\$22.8m	(-) 5.8%
2006/07	\$24.2m	(+) 1.4%

- 71 I am of the view that this outcome is due to the NSW industry funding model (see below), that is, as wagering activity has shifted away from the TAB and to corporate bookmakers, funding has essentially been drawn away from the NSW racing industry. This is because corporate bookmakers do not have the same level of funding commitments as the TAB.
- 72 I consider that this trend likely indicates that, while punters are enjoying and participating in the product offerings of provincial racing clubs, they are doing so without a commensurate share in wagering revenue going back to support those clubs.
- 73 Further, notwithstanding this plateau in funding, the costs associated with running a provincial race club and hosting race meetings have increased. As a result, over recent years, WRC has often found itself "knocking on the door" of Racing NSW to request more funding for track maintenance and improvements, and has been frequently instructed to instead be more efficient, or to find other revenue streams.
- 74 This need for additional revenue has resulted in many provincial clubs employing a range of tactics to diversify their revenue streams through non-racing events and community services. By way of example, WRC has begun running a farmers' market twice a month, the ITC recently purchased a motel, and the GRC has recently invested money in expanding a new multi-purpose entertainment centre, in order to host more frequent and larger non-race day activities.
- 75 I have also observed that prize money has increased significantly in recent years. I am of the view that the sources for this increase in prize money has been the introduction of Race Fields legislation and the recent tax parity legislation.

WRC FINANCIAL INFORMATION

- 76 Annexed at **Annexure DJ-3** is a copy of relevant extracts from the 2015/16 WRC Annual Report referred to in this statement.

Expenditure

- 77 In order for WRC to host successful race meetings throughout the year, it is vital that it ensures that WRC facilities and the experience provided is acceptable for owners, trainers and patrons. In doing this, WRC incurs substantial costs in maintaining and improving track, training and spectator facilities. For the financial year ended 30 June 2016, total expenditure for WRC amounted to \$8,942,343. This amount is made up of a variety of expense items, with the key expenses being (see page 22 of Annexure DJ-3):
- (a) prize money - \$4,140,442;
 - (b) employee benefit expenses - \$1,680,464;



- (c) depreciation and amortisation expenses - \$817,532; and
- (d) repairs and maintenance expenses - \$411,787.

Prize money

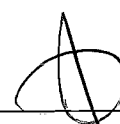
- 78 As highlighted above, WRC's major expense on an annual basis is prize money. For the financial year ended 30 June 2016, WRC distributed \$4.14 million in stakes, compared to \$4.189 million in the previous financial year (see page 11 of Annexure DJ-3).
- 79 Racing NSW sets and distributes relevant amounts of prize money for metropolitan, provincial and country races. From 1 October 2016, all races hosted at WRC (and all provincial racing clubs) have a minimum prize money of \$30,000. Prior to October 2016, the minimum amount was \$22,000. Across the approximately 174 races hosted throughout the year by WRC, this results in an increase in prize money of \$1,392 million. The increase in prize money will be shared by owners, trainers and jockeys (see page 9 of Annexure DJ-3). For a provincial race hosted by WRC with prize money of \$30,000, Racing NSW will typically contribute \$18,000 with WRC funding the remaining \$12,000.
- 80 For key events, such as the Magic Millions Race Day, the Club will often inject a larger amount of its own funds into the prize money offering. In theory, this strategy attracts a better field and, in turn, a broader range of interested punters. For a day such as the Magic Millions Race Day, the increase in patron turnout and commensurate increase in race day revenue will typically recover the additional costs associated with prize money.

Employee benefit expenses

- 81 In 2016, WRC spent a total of \$1,680,464 on employee benefit expenses, as compared to \$1,514,198 in 2015 (see pages 22 and 29 of Annexure DJ-3). These expenses relate to office, track and casual staff.
- 82 In addition to this expense item, in the 2016 financial year, WRC paid \$311,363 in relation to the payment of jockey riding fees (see page 22 of Annexure DJ-3).

Repairs and maintenance expenses

- 83 It is essential that WRC's track, training and spectator facilities comply with the various regulations governing the condition of these facilities. In 2016, WRC spent a total of \$411,787 on repairing and maintaining these facilities. This expenditure has increased as compared to \$333,975 spent in 2015 (see page 22 of Annexure DJ-3).



Capital works

- 84 Further to the above, during the financial year ended 30 June 2016, WRC invested \$1,774,000 on major works at the Wyong racecourse. These capital works included (see page 5 of Annexure DJ-3):
- (a) \$338,000 on completion of the new equine pool (with a total construction cost of over \$800,000);
 - (b) \$524,000 on new submersible pumps and course-proper irrigation system;
 - (c) \$360,000 on installing a new on-field video screen;
 - (d) \$103,000 building new female jockey changing rooms; and
 - (e) \$34,800 on extending the "walk-off" area inside the course sand tracks.
- 85 WRC received significant funding support from Racing NSW towards the new equine pool and irrigation system. Between 1,100 and 1,200 thoroughbred horses now use the pool each month in training activities, and the new screen on the racecourse has provided greater advertising opportunities for the Club's sponsors (see page 6 of Annexure DJ-3).
- 86 The Board has also already signed off on the purchase of a permanent marquee and refurbishment of its Members Lounge to be accounted for in the 2016 – 2017 Financial Year. These will allow the WRC the opportunity to attract larger and more frequent functions and events in the future, both on race days and non-race days.

Revenue

- 87 In order to meet the costs and capital expenditure outlined above, WRC sources income from a variety of revenue streams. For the financial year ended 30 June 2016, WRC generated revenue of \$10,055,155 (see page 22 of Annexure DR-3). This amount was comprised of the following:
- (a) bar revenue - \$393,057;
 - (b) racing income - \$8,876,349;
 - (c) rental income (investment property, meetings, functions and stables) - \$391,394;
 - (d) Racing NSW on-course turnover incentive - \$38,904;
 - (e) other revenue (interest, capital gains etc.) - \$355,451; and
 - (f) Racing NSW infrastructure revenue - \$834,053.



Racing Income

88 As noted above, the majority of revenue derived by WRC is in the form of "Racing income". Racing income is predominantly provided by Racing NSW in the form of TAB wagering distributions and Race Fields fees distributions (referred to at paragraphs 96 - 98 below).

Bar Revenue

89 Bar revenue is income derived from the sale of beverage sales on race days. Bar revenue increased in the 2016 financial year, as compared to the preceding year.

Rental income

90 WRC receives rental income from tenants for the use of various facilities, including meeting rooms, function rooms and horse stables.

Racing NSW on-course turnover incentive

91 WRC has an on-course totalisator that operates on race day for patrons at the racecourse. The on-course tote is run by TAB Limited, however WRC receives a small commission from wagering turnover.

Operating Profit

92 For the financial year ended 30 June 2016, WRC recorded a profit of \$1.112 million (see pages 7 and 9 of Annexure DJ-3). This amount is inclusive of \$834,053 in Racing NSW capital grants and a \$231,844 profit from the sale of a residential property, previously owned by WRC (see page 22 of Annexure DJ-3). Excluding grants, the Club reported an operational profit of \$278,760.

NSW racing industry funding model

93 As highlighted above, WRC (and the majority of NSW race clubs), receive the bulk of their revenue from Racing NSW. It is my understanding that Racing NSW sources this funding from two primary revenue streams:

- (a) Racing Distribution Agreement between the NSW racing industries and the NSW totalisator operator; and
- (b) Race Field fees.

94 Set out below is my understanding of these sources of revenue.



Racing Distribution Agreement between the NSW racing industry and the NSW totalisator operator

95 The NSW racing industry, represented by the control bodies of the three racing codes (thoroughbred, harness and greyhound) and Racingcorp Pty Ltd, have entered into a Racing Distribution Agreement with the NSW totalisator operator, currently TAB Limited (a wholly owned subsidiary of Tabcorp). Under this agreement, several fees are payable by TAB Limited including product fees, a wagering incentive fee and other certain fees in respect of particular products.

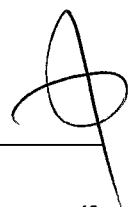
Race Field fees

96 In 2008, the NSW Government introduced Race Fields Legislation that made it an offence for a betting service provider to use NSW thoroughbred race field information without the necessary approval from Racing NSW. In order to be granted approval from Racing NSW, betting service providers must pay Racing NSW a percentage of wagers placed on each thoroughbred race meeting (known as "Race Field fees"). Racing NSW has the power to determine the precise method for calculating the percentage of fees. Currently, for wagers other than totalisator wagers, the percentage varies depending on the category of the race meeting, these categories are as follows:

- (a) standard race meeting – 1.5% of gross wagering turnover;
- (b) premium race meeting (prizemoney of \$150,000 or more) – 2.5% of gross wagering turnover; and
- (c) premier race meeting (prizemoney of \$1 million or more) – 3% of gross wagering turnover.

97 Both totalisator operators and corporate bookmakers are subject to Race Field fees, although the NSW totalisator operator receives a rebate for any Race Field fees paid in respect of NSW thoroughbred race meetings.

98 Based on my understanding of the funding model, I am of the view that the majority of funding and support for the NSW racing industry is provided by the NSW totalisator operator. Further, in light of the recent trend of wagering activity shifting away from the NSW totalisator operator and to corporate bookmakers, I am concerned that this trend will impact the NSW racing industry funding going forward. Accordingly, it is in the best interests of the NSW racing industry to strengthen the NSW totalisator operator because a higher proportion of revenue earned by the totalisator operator is returned to the industry through the Racing Distribution Agreement than that which is returned through Race Field fees paid by bookmakers.




Distribution from Racing NSW to racing clubs

- 99 From these revenue streams, Racing NSW has the discretion to distribute funds to NSW race clubs for the purposes of operating the race club (i.e., capital works or operating expenses), or for use as prize money.
- 100 I note that the distribution of the funds from the Racing Distribution Agreement, in particular the product fee and the wagering incentive fee, are distributed on a quarterly and six monthly basis, respectively. As a result, WRC is required to manage the working capital ramifications of having to pay out prize money and expenditure whilst waiting for distributions from Racing NSW.
- 101 Further, in respect of the wagering incentive fee, as it is partially levied on fixed odds betting, it is difficult to accurately calculate the amount of this fee in advance. WRC is required to manage this uncertainty as to funding on an ongoing basis.

VIEWS ON THE PROPOSED TRANSACTION

- 102 Tabcorp has proposed to acquire the issued shares of Tatts by way of a scheme of arrangement (the **Proposed Transaction**). I am of the view that the Proposed Transaction will benefit WRC, NSW provincial racing clubs, and the NSW racing industry generally.
- 103 In November 2016, I attended a presentation delivered by Tabcorp to NSW racing industry stakeholders relating to the Proposed Transaction. I am aware that Tabcorp expects the Proposed Transaction to result in substantial cost synergies including:
- (a) cost savings from de-duplicating functions;
 - (b) procurement economies of scale;
 - (c) common IT development and maintenance;
 - (d) a unified marketing and promotional approach; and
 - (e) joint R&D and innovation programs.
- 104 Should these cost synergies be achieved, I am of the view that there will be a direct increase in funding to Racing NSW, by way of the Racing Distribution Agreement between TAB and the NSW racing industry. This increased funding may then flow to NSW provincial racing clubs (including WRC) at the discretion of Racing NSW, as either prize money or funds for capital works / operating expenses.
- 105 To the extent this occurs, I am of the view that additional funding for WRC could be utilised by WRC for a range of general maintenance and improvements as well as for several desirable capital work projects. I am of the view that most, if not all, of the NSW provincial clubs, would similarly welcome additional funding for operational expenses and capital works.



106 Additionally, I am aware that Tabcorp expects the Proposed Transaction to result in enhanced revenue performance. I understand that Tabcorp expects the Proposed Transaction to enhance revenue due to the following expected features:

- (a) potential introduction of new products and product features, including:
 - (i) Longitude - a pari-mutuel betting product that co-mingles pools (e.g., co-mingling the pools for the quinella and exacta on a certain race);
 - (ii) larger, more viable pool sizes for new products to launch in; and
 - (iii) a common product range nationally (for TAB this involves adding Treble and Extra Double as wagering options);
- (b) pooling – the Proposed Transaction is a pathway to larger pools (either national or more selective); and
- (c) improved race fields revenue – with the introduction of TABs in Tatts states, it is expected that race fields revenue will increase throughout the country.

107 To the extent these revenue enhancements are achieved, I am of the view that there is expected to be a direct increase in funding to Racing NSW, by way of the Racing Distribution Agreement between TAB and the NSW racing industry. This increased funding may flow to NSW provincial racing clubs (including WRC) at the discretion of Racing NSW, as either prize money or funds for capital works / operating expenses.

Expected impact on punters and the wagering market

108 I am of the view that the Proposed Transaction should not result in a reduction in competition in the thoroughbred wagering market as Tabcorp and Tatts operate in largely different spheres. I am of the view that the wagering market is predominantly comprised of a divide between totalisator operators and corporate bookmakers. As a result, the Proposed Transaction will not decrease competition in the wagering market, but rather, it will increase competition between totalisator operators and corporate bookmakers, by improving the TAB product in the ways referred to above.

109 In addition, I am of the view that the Proposed Transaction will not materially impact NSW punters, and, if anything, may be beneficial for NSW punters. I understand that the Proposed Transaction may lead to an increase in the size of pari-mutuel betting pools, either from structural changes (such as national pooling) or from natural increases reflecting an increase in marketing and product innovation due to the Proposed Transaction. To the extent this occurs, I am of the view that punters will have greater confidence in pari-mutuel betting products, as the size of pari-mutuel pools directly impacts the volatility of dividend odds. With greater confidence

in pari-mutuel betting products, I am of the view that punters will consider pari-mutuel betting options as a stronger alternative to fixed odds products. I am of the view that there may be some positive impact of potentially larger pari-mutuel betting pools for NSW punters, however I expect the impact for punters from other States and Territories to be much more significant.

- 110 I have previously experienced this effect in New Zealand. Through my many years in the New Zealand racing industry, I observed that smaller New Zealand pools had previously made it more likely that punters would open accounts elsewhere with corporate/ online bookmakers. The introduction of comingling between New Zealand and Australian pools in 2008 made local pari-mutuel wagering significantly more attractive.

Expected impact on the NSW racing industry

- 111 I am of the view that the financial health of the NSW racing industry largely correlates with the strength of the NSW totalisator operator, due to the funding arrangements described above. To generate adequate funds for the NSW racing industry, I am of the view that the NSW totalisator operator must have a large totalisator pool to encourage pari-mutuel wagering.
- 112 As outlined above, I understand that the Proposed Transaction may be a pathway to potentially larger totalisator pools. Should this occur, I am of the view that this may increase the attractiveness of pari-mutuel betting in competition with corporate bookmakers. Additionally, to the extent that totalisator pools increase in size, I am of the view that pari-mutuel wagering will be more attractive to punters compared to fixed odds wagering, as pari-mutuel dividends will be both larger and more stable. This in turn will lead to an increase in NSW totalisator turnover, and subsequently, an increase in NSW racing industry funding. This funding may flow to provincial racing clubs to the extent that the increased funding is released by Racing NSW and passed on in increased prize money or additional distributions.

ANNEXURES

- 113 Set out in Schedule "A" of my statement is a table of annexures that I refer to in my statement.



Signature

David Jewell, Chief Executive Officer, Wyong Race Club and Chairman, Provincial Racing Association of NSW

Date: 21/2/2017 2017



SCHEDULE A

TABLE OF ANNEXURES REFERRED TO IN STATEMENT OF DAVID JEWELL

Annexure	Title	Confidentiality
DJ-1	David Jewell Curriculum Vitae	-
DJ-2	Extracts from IER 2014 report on the size and scope of the NSW thoroughbred racing industry	-
DJ-3	Extracts from Wyong Race Club 2015/2016 Annual Report	-



DAVID JEWELL

tel: 0475 521083

email: davidj@wyongraceclub.com.au

Recent Professional experience:

2014 – current Chief Executive Wyong Race Club

- Responsible for day to day management of Racing Club. Reporting to Board directors. Approx 20 fulltime + 50 casual staff + contractors.
- *Financial management (\$10m annual turnover), Event management (22 race days), Membership (450+ members), Marketing, Strategic planning, Administration*

2010-2014 General Manager Racing and Operations New Zealand Thoroughbred Racing

- Responsible for managing NSTR's day to day working relationships with 52 Race Clubs, various industry stakeholder organisations, financial oversight \$47m annual prize money and \$8m Club funding. Six direct management reports.

1993-2010 CEO RACE Group of Clubs (Palmerston North & Wellington based)

- Restructured and merged six individual Racing Clubs – into one entity RACE Inc which controlled three major racecourses. Gross operational revenues grew from \$3m to \$19m. Responsible for 50 fulltime and 1200 casual staff running 42 racedays including NZ's flagship Wellington Cup carnival (20,000 attend).

Other roles:

- *Elected chairman NSW Provincial Racing Clubs Association (March 2016)*
- *Appointed PRA representative to NSW Combined Racing Industry Group (RICG) April 2016*
- *Elected Executive Board Member Central Coast Tourism January 2015*
- *Elected chairman NZ Racing Club Managers Executive (1998-2005)*
- *Foundation Board member and Chairman Destination Manawatu (1995-2008) Regional tourism organisation which went from employing 3 staff to 9 fulltime staff with an operational budget \$2m including managing two I-Site visitor centres*
- *Former journalist – having worked on newspapers in Bendigo, Albury, Melbourne and Hong Kong before establishing monthly gloss Racing & Breeding magazine in NZ in 1980.*

Strengths:

- Major event management
- Event marketing & sponsorship
- Project management
- Strategic planning and implementation
- Corporate governance
- Financial management
- Managing business and stakeholder relationships
- Working with membership based organisations

SIZE AND SCOPE OF THE NSW RACING INDUSTRY



PREPARED BY IER | 2014





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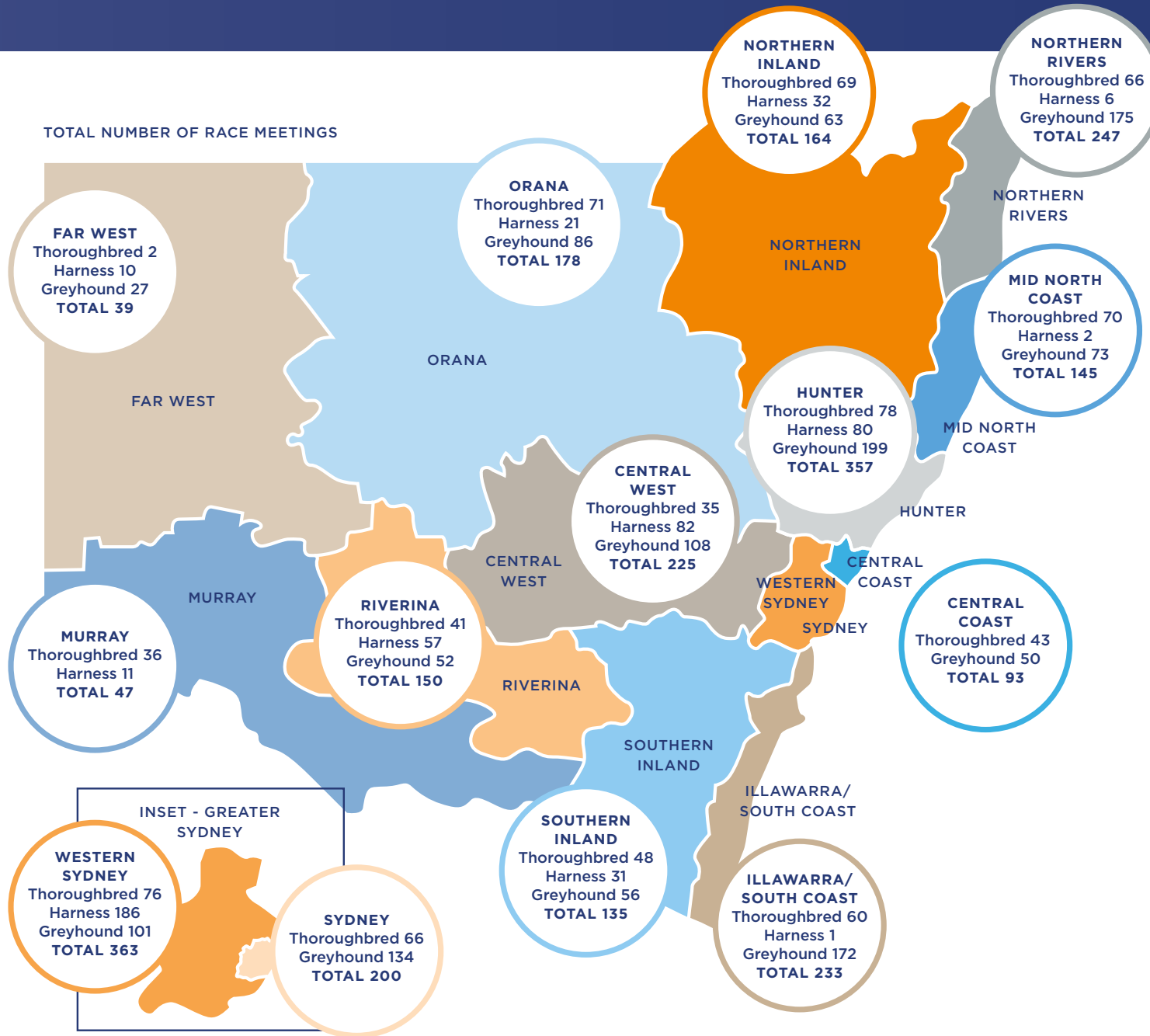
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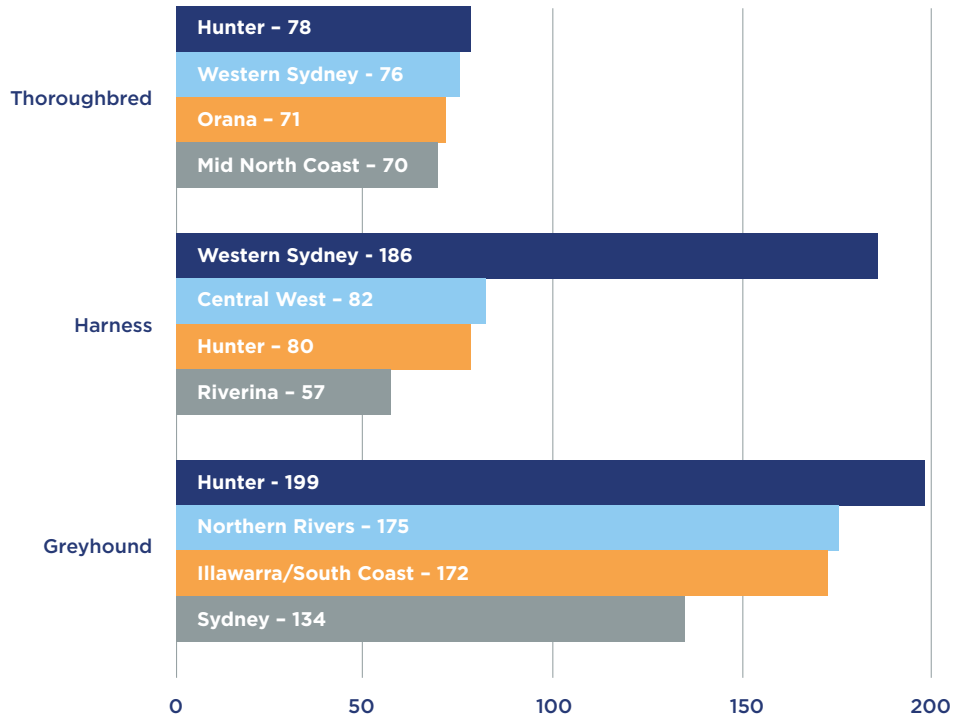
RACING CLUBS



IN 2012/13
THERE WERE
CLOSE TO 2,600
THOROUGHBRED,
HARNESS AND
GREYHOUND
RACE MEETINGS
HELD IN NSW.
THE MAJORITY
OF THESE RACE
MEETINGS (92%)
WERE HELD IN
REGIONAL PARTS
OF THE STATE.

There are 201 racing clubs, racing at 187 racetracks, across the three codes of racing in NSW. In 2012/13, these racing clubs were responsible for hosting 2,576 race meetings. The following chart illustrates the most active regions, in terms of race meetings, within each code:

NUMBER OF RACE MEETINGS HELD IN NSW (TOP 4 REGIONS)



In addition to hosting race meetings, a number of racing clubs also hold trials for the purposes of providing opportunities for horses to prepare under race-like conditions. Racing clubs also provide an important social community for their members. The table (opposite) illustrates the number of people within each region who have a membership association with their racing club.

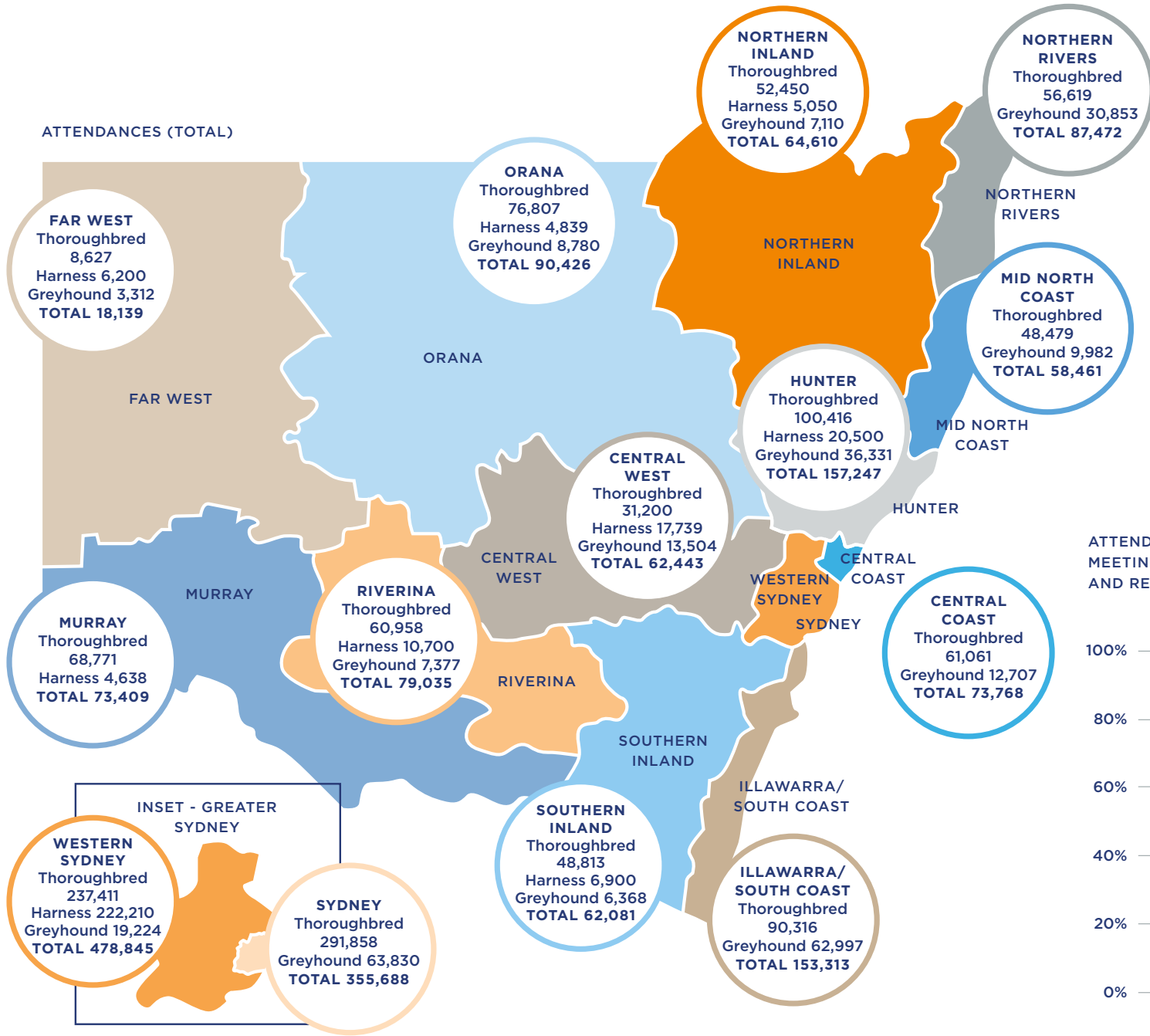
More than 75,000 people have an association with a racing club as either a member or an annual guest pass holder.



NUMBER OF RACING CLUB MEMBERS

	Thoroughbred	Harness	Greyhound	Total
Central Coast	1,608	0	330	1,938
Central West	767	490	281	1,538
Far West	2,850	62	543	3,455
Hunter	3,080	472	230	3,782
Illawarra/South Coast	1,046	0	336	1,382
Mid North Coast	922	0	204	1,126
Murray	1,241	121	0	1,362
Northern Inland	1,908	122	180	2,210
Northern Rivers	1,663	0	488	2,151
Orana	2,697	71	100	2,868
Riverina	2,142	144	87	2,373
Southern Inland	3,604	143	160	3,907
Western Sydney	8,149	5,892	1,707	15,748
Total Regional NSW	31,677	7,517	4,646	43,840
Sydney	7,550	0	1,538	9,088
Total	39,227	7,517	6,184	52,928
Members	16,215	5,389	575	22,179
Total	55,442	12,906	6,759	75,107

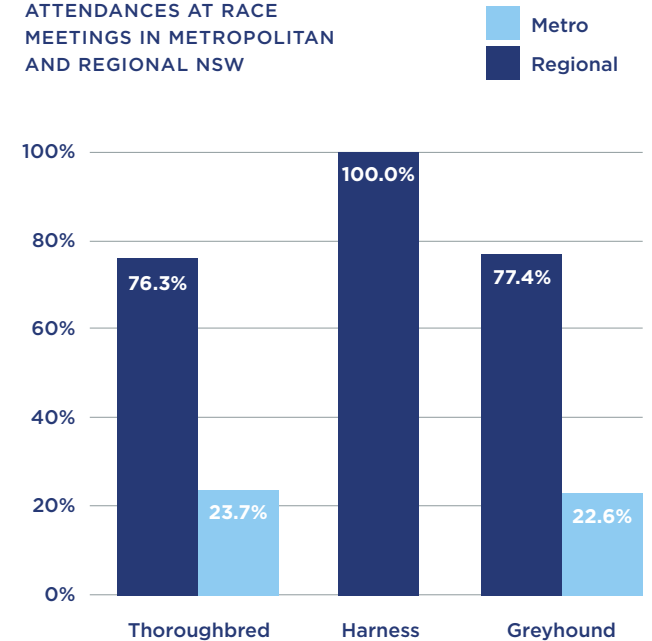
ATTENDANCES (TOTAL)



During the 2012/13 racing season, thoroughbred, harness and greyhound race meetings in NSW attracted attendances of just over 1.81 million. The largest regions in terms of total attendance (three codes) are Western Sydney (478,845), Sydney (355,688) and Hunter (157,247).

The following chart illustrates the break-down of attendances in NSW for each code of racing:

ATTENDANCES AT RACE MEETINGS IN METROPOLITAN AND REGIONAL NSW



Community and Social Benefits

Thoroughbred, harness and greyhound racing in New South Wales play an important role in the development and preservation of social and community benefits throughout rural, regional and metropolitan areas of the state. The majority of these social impacts are initiated through Club activities, both on racedays and non-racedays, as well as the partnerships they form with many community organisations. This contribution to community social benefit enhances both individual and community well-being throughout the regions where racing exists.

The economic activity generated by the New South Wales racing industry complements the social impacts, particularly in regional areas where racing events and facilities foster social cohesion and provide benefits for a broad range of individuals and community organisations. Racing and non-racing events attract community members, independent of socio-economic status, age or gender. This is highlighted within the racing industry throughout New South Wales, where racing is a profession, sport, hobby and leisure activity.

The development of social and environmental initiatives also has a positive impact in terms of family socialisation and volunteerism. With this, racing also supports health, education, employment and environmental practices. However, maintaining and building the trust and respect of the communities in which racing clubs operate is also extremely valuable.

The implementation and communication of social and environmental initiatives play an important role in managing community perceptions and in doing so, protect and enhance racing's image and reputation. This in turn provides the industry with a greater opportunity to foster the support of customers, corporate partners and Government, as well as building pride and increased satisfaction with internal stakeholders.

The sport of racing also demonstrates a rich cultural significance in terms of its history and heritage throughout New South Wales. It was in Sydney, at Hyde Park in 1810, where thoroughbred racing commenced in Australia with a three day carnival inaugurated by the then Governor Lachlan Macquarie. In the same year, the first trotting race in Australia was held during a sports carnival in Parramatta. The historical elements of all racetracks throughout the state are an important part of the fabric of many local communities. These tracks and clubs are the focal point for the achievements of some of New South Wales great sportsmen and sportswomen, racing identities, horses and greyhounds. The importance of racing clubs and tracks extends beyond simply those with an interest in racing. They are valuable community assets – particularly in regional parts of the State.

This racing industry study incorporated a social impact survey which was completed by the racing clubs within each code. The information gathered from this survey provided valuable insights in determining the extent of the social and environmental benefits generated by the racing industry.



REGIONAL SUMMARIES

AT A GLANCE

3 Racing clubs

THOROUGHBRED 2
GREYHOUND 1

93 Race Meetings

THOROUGHBRED 43
GREYHOUND 50

830 Races

THOROUGHBRED 331
GREYHOUND 4991,938 Racing
Club MembersTHOROUGHBRED 1,608
GREYHOUND 330

73,768 Attendances

THOROUGHBRED 61,061
GREYHOUND 12,707

PARTICIPANT TYPE (NUMBER OF)

	Thoroughbred	Harness	Greyhound	Total
Breeders	60	16	29	105
Breeders Staff	129	22	5	156
Owners & Syndicate Owners	1,122	58	254	1,434
Trainers	59	6	208	273
Stable/Kennel Employees	165	4	67	236
Participants in Producing Racing Animals	1,415	106	563	2,204
Full Time Club Staff	19	0	1	20
Part Time Club Staff	160	0	3	163
Casual/Contractor Staff	70	0	20	90
Farriers/Float Drivers/Vets	20	1	12	33
Club Volunteer	16	0	0	16
Jockeys, Drivers & Apprentices	18	4	0	22
Barrier & Catching Pen Attendants	13	0	75	88
Participants in Producing the Racing Product	316	5	111	432
Industry Administration Staff	0	1	0	1
Total	1,851	112	674	2,638

ECONOMIC IMPACTS

	Thoroughbred	Harness	Greyhound	Total
Spent on producing foals & pups	\$0.7 mil	\$0.3 mil	\$0.8 mil	\$1.8 mil
Spent on preparing racehorses & greyhounds	\$18.6 mil	\$0.6 mil	\$2.2 mil	\$21.4 mil
Total direct expenditure	\$64.8 mil	\$5.7 mil	\$8.7 mil	\$79.2 mil
Value added	\$71.3 mil	\$5.3 mil	\$8.3 mil	\$84.9 mil
Full-time equivalent employment	606	48	74	728

THERE ARE **2,638**
PEOPLE WHO
PARTICIPATE
IN THE RACING
INDUSTRY IN
*THE CENTRAL
COAST REGION* -
APPROXIMATELY
1 IN EVERY 90
ADULTS *LIVING
IN THE REGION*

RACE MEETINGS *IN THE CENTRAL COAST REGION*
ATTRACT ATTENDANCES **IN EXCESS OF 73,700** OR **4.1%**
OF TOTAL ATTENDANCES AT RACE MEETINGS IN NSW

* Some totals do not add due to rounding



WRC *...the Colour of Racing*

WYONG RACE CLUB

ANNUAL REPORT & FINANCIAL STATEMENTS 2015-2016



Wyang Race Club Limited
Contents
30 June 2016

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CHAIRMAN'S REPORT TO MEMBERS

Wyong Race Club has had a very successful 12 months on all fronts. In my report this year I will firstly revisit our corporate vision, and then show how our activities over the past year are contributing to the achievement of those long term goals.

As advised at last year's Annual General Meeting your Board has established a vision for the Club, "to be a Racing and Training Centre of Excellence, incorporating high quality Member and community facilities". While we recognise that there is still a considerable amount of work ahead of us, the Board and the management team are committed to this vision, and have been steadily working towards its fulfilment.

The key to our long term success will be the delivery of our major goals and objectives, as set out in the Business plan signed off by the Board during the year:

- Growing the business – through developing the facilities, meeting customer and industry stakeholder expectations and consistently delivering a high class racing product on and off the track.
- Building a strong leadership team – through sound management and effective governance
- Engagement and alignment with all racing industry stakeholders – working proactively with Racing NSW and all sectors of the industry.
- Grow membership and race day attendance – by developing our brand and the oncourse experience.
- Meet and exceed industry KPI's – become the benchmark for Provincial Racing Clubs in NSW
- 12 month calendar of events – by looking at all options outside of our core activities to maximise use of the clubs extensive facilities year-round.
- Reinvest in facilities both racing and non-racing to create new revenue streams – developing and implementing a well thought out master plan that meets the club's future needs.
- Continue to enhance the race-day offer and customer experience – by raising community awareness of the Racing Club, better understanding our customer's expectations and consistently working to exceed their needs.
- Deliver first class training facilities – ensure the maintenance and presentation of the training facilities consistently delivers a superior operational environment, that is at least consistent with RNSW guidelines and ideally surpasses trainers requirements.
- Unlock the unrealised asset value of the facility – investigate and implement innovative strategies that will maximise the use of the venue long term. Invest in new facilities that both add value to the business and increase in club revenues.

Capital Investments

Over the past 12 months we have invested \$1.774m on a schedule of major works which we expect will pay dividends to the Club for many years to come. The capital work undertaken includes:

- \$338,000 to complete the new horse pool (total cost of the horse pool was just over \$800,000)
- \$524,000 on new submersible pumps and course proper irrigation system
- \$360,000 on installation of the new 82sqm infield video screen
- \$103,000 building new female jockey changing rooms

Other capital investments completed by the Club, include:

- extending the walk-off track for trainers to improve safety for both horses and riders in the early morning
- replacing part of the Howarth Street boundary fence
- development of the new marquee site alongside the pool
- purchase of a new Holden Colorado work vehicle

WYONG RACE CLUB ANNUAL REPORT 2015-2016

CHAIRMAN'S REPORT TO MEMBERS *cont*

Horse Pool and Irrigation

We are indebted to the Racing NSW Board for their significant funding support towards the horse pool (\$650,000) and the new irrigation system (\$450,000).

We now have between 1100-1200 horses using the pool each month and, as we anticipated, the availability of a pool is proving to be a tremendous asset for the thoroughbred training side of our business.

We do not have a great deal to actually "see" for the \$524,000 investment on the new submersible pumps and course proper irrigation system, as most of this infrastructure is below the ground. However, we are confident that the improved presentation of the track thanks to the state of the art computer controlled irrigation system will prove to be one of the best spends we have made.

The investment in the horse pool, enhancements to the training tracks, the new irrigation system and the commendable work being done by our Track Manager, Chris Allen and his team in the presentation of both the course proper, as well as the training tracks and grounds, is testimony to the efforts being made to enhance Wyong's reputation as a Racing and Training Centre of Excellence.

Female Jockey Room and Big Screen

Work done on the female jockey facilities enables us to properly accommodate the growing numbers of talented women competing in the riding ranks, and I'm sure every member and racegoer will agree with me that the new screen has significantly enhanced the oncourse racing experience at Wyong. The screen has also proved very popular with our sponsors, through the prominent promotion of their branding alongside their races.

Members Lounge Refurbishment and Permanent Marquee

Of course, the capital works programme has not stopped. In fact, the Board is just getting started.

Given our strong financial result the Board signed off on the refurbishment of the middle floor Members Lounge and the purchase of a permanent marquee. These two projects, costing around \$560,000 in total, will be accounted for in the new 2016-17 financial year.

The refurbished middle floor was unveiled just in time for our recent Wyong Gold Cup carnival and has met with very favourable comments from both members and owners. The upgraded cafeteria area, new lounge seating, carpets, new televisions, painting and lighting has created a much brighter and more welcoming environment for patrons on race day, where previously the lounge was quite dark and uninviting.

The Club is also making a significant investment in the new marquee, which was imported from Germany. Due to a delay in obtaining the Council Development Application consents we were not able to install the concrete slab in time for Cup week. We were able, however, to set up the new marquee on a temporary basis for Ladies Day and Cup Day, and we will now proceed to have the new slab and decking constructed after which the marquee will become a permanent feature. The new marquee will provide the club with the opportunity to attract larger race day and non-race day functions and events here in the future.

Non-Racing Initiatives

Long term financial sustainability means more than just excellence in racing and so the Board is also investigating opportunities to make better use of the racecourse facilities.

As our first non-racing initiative, the Club has entered into a new long term contract to have a Farmers Market operating here twice each month, delivering not only a new revenue stream, but raising awareness of our facilities in the local community. We have also held a number of meetings with the new Central Coast Council, and other interested parties, as we work through the early stages of putting in place a long term master plan for the venue.

Financial Outcomes

Members will probably be aware of Roads and Maritime Plans to upgrade the Pacific Highway through the Wyong town centre as well as major parking changes planned around the Wyong station. These developments should provide new opportunities for the Racing Club as the highway intersection is upgraded and traffic flow improved.

As part of this future development the Club was approached by RMS and agreed to sell a residential property we owned at 69 Howarth Street and a small parcel of land alongside. The sale of this property, which realised almost \$500,000, has been used by the Board to help fund the recent capital projects.

The \$231,844 profit on the sale of the house and land contributed to the strong financial result for the year, with the Club posting a \$1.112m profit inclusive of the \$834,053 Racing NSW capital grants.

Excluding the grant monies, the Club has reported a \$278,760 operational profit after providing for \$817,000 in depreciation. The CEO will go into more details of the result in his financial report, however it is important to note that the Club is in a strong financial position with no debt and upwards of \$2m cash in the bank at this time.

From an industry perspective this has also been a very successful year, with Racing NSW able to inject more than \$20m into prizemoney across Provincial and Country NSW Racing Clubs as a result of changes to tax structure introduced by the NSW State Government last year.

Close

In closing I would like to take this opportunity to acknowledge the efforts of my fellow Board members. When I gave my report last year we had only been in the job a few months and we were all on quite a steep learning curve. I am personally very pleased to have been a part of this exciting year and look forward to the Club's continuing success. I thank my fellow directors for their enthusiasm and positive contribution, and on the excellent progress that has been achieved over the past 12 months.

I also want to acknowledge and congratulate our Chief Executive David Jewell and all of his team on their hard work. David was recently elected Chairman of the Provincial Racing Association of Clubs and is their representative on the Racing Industry Consultative Group Board, which meets monthly with Racing NSW, positions that reflect favourably on both David's standing amongst his peers and our Club.

Best regards to all for the coming year, and happy racing!



Garry Whitaker
Chairman, Wyong Race Club

WYONG RACE CLUB ANNUAL REPORT 2015-2016

CHIEF EXECUTIVE'S REPORT

In 2015-16 the Wyong Race Club has successfully undertaken a number of major projects and enjoyed a busy and rewarding racing year.

As highlighted to Members at last year's Annual General Meeting, after a year of what I loosely described as being a period of "caretaker management" with the new Board appointments confirmed in March 2015, I was looking forward to getting on with the business of rebuilding Wyong as one of Australia's premier Provincial Racing Clubs.

I am pleased to report that it has been an exciting 12 months and take this opportunity to acknowledge the ongoing support from Members.

We set ourselves a somewhat ambitious goal of increasing membership by 50% during the year. While we achieved our target by having 157 new members join the Club during the year, with resignations and retirements total membership increased from 298 to 425 (net 42% rise), which was still a remarkable result.

The ongoing retention of Members, together with continuing to increase our Membership base is a key strategy for the Club.

The recent improvements to the middle floor Lounge has been welcomed by members and owners and is the first stage of an ongoing plan to upgrade our facilities.

The provision of the new 82sqm infield big screen installed by the Club last March further enhanced the members' and racegoers viewing experience at Wyong.

It has been pleasing to see members taking advantage of the 10% discounted drinks option available across all race meetings. The Club has also extended its member discount pricing to include virtually all of the race day hospitality packages offered throughout the year.

Regular communication utilising our Property Market Members' newsletters and regular email updates has ensured that our membership have been kept better informed. For those Members who follow us on social media, the Club has been very active posting regular updates on its Facebook page and news articles and other information on our website www.wyongraceclub.com.au. Social media is a powerful and cost effective way for the Club to promote its activities.

During the recent Gold Cup carnival a promotion on Facebook to win free tickets to the Star 104.5 Marquee on Ladies Day reached over 21,000 people on the Central Coast, with more than 1000 engagements. Our Central Coast Holden Fashion on the Field competition promotion reached 5,948 potential customers, while another Cup carnival post was seen by 10,956 people.

Facility upgrades

The Club has made a significant investment in upgrading our facilities during the past year.

The Wyong horse pool was completed last November – an average of 1160 horses per month have been using the pool since it opened.

The new course proper pump and irrigation system was completed in March at a cost of \$524,000 ensuring our tracks could be better maintained throughout the year.

Another big ticket item was the construction of new change room facilities for the female jockeys, which was long overdue.

The ongoing upgrade of our track and training facilities remains a high priority. The extension of the walk-off area inside the sand tracks completed earlier this year at a cost of \$34,800 has helped reduce the

risks to horses coming off the tracks in the morning after they have galloped. More recently the Club has installed a new set of covered horse scales alongside the tie-up stalls so that trainers can better monitor their horses' weight and fitness and we have extended the eaves on the tie-up stalls to provide better protection from the elements for both horses and attendants.

The Club also purchased a new work vehicle for the Track Manager and built the new marquee area alongside the pool. There has also been a focus on repairs and maintenance of the grounds, which is an ongoing expense. I would like to take this opportunity to acknowledge the impressive efforts of Marcus and Kylie McAlister, who are responsible for the superb presentation of the gardens, which they work tirelessly on maintaining for the Club most weekends.

Daily maintenance of the training tracks continues to be the main priority for the Club track staff. While the majority of the historic problems experienced with the sand tracks have been addressed, there are still some issues with the design and construction of the training tracks, which the club needs to remedy. There has been a number of discussions with Racing NSW officials about the long term plans for Wyong's training centre, particularly given the suggestion that Gosford Racing Club may close down its training operation.

Wyong is currently operating at near capacity with 240 horses in work. At present there is no available stabling to accommodate any additional horses and we have a waiting list of trainers wanting more boxes on course. Our training tracks, with no "B" grass training track available, are also under pressure. With no scope to build a grass training track, the Club is investigating various long term options to upgrade its training facilities, including the installation of a synthetic type training track, such as a ProRide surface, which is costly to install but requires less daily maintenance and provides safer, more consistent footing for fast gallops.

One of the impediments to building a ProRide type is minimising the flood risk to our training tracks. We are investigating how this can be resolved with our engineers and the Board will be making application to RNSW for funding for a synthetic training track in the near future.

Racing NSW

The opportunities for industry participants in NSW has never been better in terms of increased returns to stakeholders.

In recent months minimum prizemoney for all races at Wyong increased from \$22,000 a race to \$27,000 in July. From 1 October stakes will further rise to \$30,000. The \$8000 (36%) prize money increase is available for all Provincial race days and was part of a RNSW package that included an increase to \$20,000 for all Country racing and \$100,000 minimums for all Saturday Sydney meetings.

Across some 174 races at Wyong over the next year the increase from \$22,000 to \$30,000 represents a \$1.392 million injection in prizemoney to be shared by owners, trainers and jockeys.

The announcement by RNSW Chairman John Messara in September of a range of exciting new initiatives, including the establishment of a \$2m horse welfare fund, represents an investment by Racing NSW of more than \$53 million in the industry in the past 12 months since changes around achieving tax parity and race fields' fee structure has been achieved.

In 2012 total NSW prizemoney was \$118.9 million. With the latest announcements prizemoney will increase to \$204 million in the coming 12 months – a massive \$85m (72%) rise.

The Board of Racing NSW and its Chief Executive Peter V'landys are to be congratulated on what they have achieved over the past couple of years. Prizemoney increases, investment in track and training

WYONG RACE CLUB ANNUAL REPORT 2015-2016

CHIEF EXECUTIVE'S REPORT *cont*

facilities, the establishment of the horse welfare fund and new employment opportunities, which will see some 20 Clubs, including Wyong being supported to take on a new trainee track staff person. RNSW will fund 50% of the trainee's wages over the next three years.

Sponsors

The Club appreciates the ongoing generous assistance we receive from all of our sponsors and I would encourage Members, where possible, to reciprocate by supporting our sponsors when doing business.

Carlton United Breweries along with Magic Millions are our two major sponsors and we thank them for their support in not only helping to fund the \$160,000 Carlton MID Wyong Gold Cup and the \$200,000 Magic Millions Wyong 2YO Classic, but also their additional support in hosting their clients here on their race days. This year CUB had almost 400 guests in their marquee on Cup day, many travelling on a private train from Sydney organised by CUB. Despite a very wet Cup Day the atmosphere on track and in particular the CUB marquee was fantastic.

Cup Day was again fully sponsored and we welcomed Winning Appliances, from Sydney, as a new partner of the Club and thank them for their support of the \$120,000 Winning Appliances Mona Lisa Stakes. We had a number of new sponsors involved this past year including local real estate company The Property Market, the Wyong Chamber of Commerce and Turfcare. The majority of our race days are now fully sponsored, but we would welcome enquiries from any firm or individual interested in becoming involved as a supporting race or a race day sponsor in the future.

Future plans

The Club has recently appointed Bronwyn Nichols to the new position of Sales and Marketing with a brief to grow the club's raceday and non raceday revenues. We have a superb venue here, which we are looking to develop with upgrades to our facilities and we need to be maximising the income we can generate outside of our 22 race days each season.

In May this year the Farmers Market, which previously operated at The Entrance, relocated to Wyong racecourse. The markets are held on the first and third Saturdays of each month and are regularly attracting good sized crowds. The extensive car parking areas, covered betting ring and park like grounds are ideal for an activity such as the markets and we look forward to working with them to grow their business here.

As part of its strategy to unlock the unrealised asset value of the venue the Board is exploring a number of long term options to secure future revenues for the Club. We will shortly be advertising for a Commercial Manager to join the management team to work on this project.

During the year John Knight, who was the Payroll and Accounts Manager, retired having worked for the Club for some six years. Rob Guimelli, the Club's Financial Controller, also left this year. The Club has appointed Emma Fitzgerald, who had previously worked part time and assisted us in the race day office, to oversee our accounting and financial functions.

I would also like to acknowledge the efforts of both Dean Grogan and Kylie McAlister, who have both been with the Club sometime and thank them for their ongoing support. Chris Allen, the Club's Track Manager and his team including Phillip Robinson, his new 2IC, have done an outstanding job maintaining our racing and training tracks throughout the year. It would be remiss of me not to also acknowledge the significant contribution Lloyd Hunt, our Buildings and Maintenance Manager, has made this year having overseen the construction of the horse pool, the installation of both the irrigation system and new screen and more recently the refurbishment of middle floor lounge.

Financial

The Club's financial position has improved markedly in the past two years, as can be seen by the cash position – which stood at \$1.865m at 30 June, 2016 compared with just \$319,000 at the same time in June 2014.

The significant (\$1.5m) improvement in our financial position has been achieved despite investing some \$940,000 of our own funds as part of a \$1.77m investment in capital assets in the last financial year. Racing NSW contributed \$834,053 towards the capital costs of both the horse pool and the new irrigation system during the year, with the club funding the balance of those costs, plus the new video screen, upgrade in the jockey's room and the other capital projects that have been completed.

In the 2015-16 financial year to 30 June, 2016 the Club has reported a total profit of \$1,112,812 inclusive of the \$834,053 in Racing NSW capital grants.

Excluding the Racing NSW grants, the club has achieved a very satisfactory operating profit for the year of \$278,759 after providing for \$817,532 of depreciation and after taking into account a write down of \$187,649 where the Board took the opportunity to write-off the several redundant asset items including the old video and semaphore screens (\$61,140), the masterplan previously commissioned by the club to reconstruct the racecourse (\$66,295), an acid management report (\$28,691) along with a several other items.

While the profit makes for very positive reading, there were several one off items which significantly contributed to this result including prizemoney savings from the abandonment of the January race meeting, the \$231,844 profit on the sale of the Howarth Street property and some additional funding from Racing NSW.

Members should note that the Club had budgeted for an operational loss of \$217,000 last season (after depreciation) and the budget for the 2016-17 is for a loss of around \$121,000, although the Board will be looking to achieve a break even or nominal profit after depreciation is taken into account.

The bulk of the Club's revenue is generated through the Racing NSW scheme of distribution, which is difficult to accurately forecast as it is subject to the overall TAB wagering result and income from other new wagering sources. The final amount paid to the Clubs through the scheme of distribution is not available until a month or more after the end of the financial year.

As a result of some uncertainty as to our final industry funding each year, the Board has taken the view that it is appropriate for the Club to maintain cash reserves of around \$1m to offset any significant expenditure or a shortfall in our future revenues.

Our major expense for the year is prizemoney, with the Club distributing \$4.14m in stakes compared to \$4.189m the previous year – the difference being one less raceday with the January abandonment.

Expenditure, was generally in line with budget expectations, with some significant savings in insurance costs through Racing NSW. Club revenues were in line or ahead of budget, with both bar revenues and rentals/function income being higher than the previous year.

In closing I would like to thank the Chairman, Garry Whitaker and the Wyong Race Club Board, for their significant contribution to the management of the club over the past year. As noted in this report, we have achieved a great deal in the past 12 months and the club is in a strong financial position to continue to build on this in the next few years.



David Jewell Chief Executive

WYONG RACE CLUB

ANNUAL REPORT 2015-2016

Wyong Race Club Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Note	2016 \$	2015 \$
Revenue	5	10,055,155	9,529,265
Racing NSW infrastructure revenue	6	834,053	273,447
Expenses			
Cost of goods sold		(150,090)	(128,801)
Advertising expenses		(65,296)	(69,306)
Ambulance expenses		(87,828)	(68,983)
Audit fees		(28,245)	(20,564)
Barrier trial expenses		(134,949)	(121,102)
Cleaning and waste removal expenses		(106,537)	(87,601)
Computer expenses		(22,823)	(20,804)
Consultancy fees		(32,738)	(35,130)
Conference, seminars and training expenses		(14,330)	(11,071)
Depreciation and amortisation expenses		(817,532)	(713,779)
Employee benefit expenses		(1,680,464)	(1,514,198)
Entertainment expenses		(94,520)	(78,447)
Fair value change on shares		(9,344)	41,595
Fringe benefit tax expense		(11,345)	(7,166)
Insurance expenses		(253,510)	(338,364)
Jockey riding fees		(311,363)	(327,956)
Legal fees		(9,209)	(8,890)
Loss on disposal of assets		(187,649)	(45,750)
Payroll tax expense		(52,977)	(36,057)
Prize money		(4,140,442)	(4,189,108)
Promotional expenses		(57,061)	(63,978)
Repairs and maintenance expenses		(411,787)	(333,975)
Race day packages and function expenses		(109,399)	(91,359)
Race day production expenses		(81,503)	(81,538)
Race day sponsorship expenses		(135,892)	(132,106)
Security expenses		(44,697)	(53,667)
Telecasting expenses		(139,980)	(153,524)
Utilities expenses		(221,310)	(221,362)
Other expenses		(363,576)	(365,076)
Surplus before income tax expense		1,112,812	524,645
Income tax expense		-	-
Surplus after income tax expense for the year	17	1,112,812	524,645
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>1,112,812</u>	<u>524,645</u>

WYONG RACE CLUB ANNUAL REPORT 2015-2016

Wyong Race Club Limited Notes to the financial statements 30 June 2016

Note 2. Significant accounting policies (continued)

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Investment properties

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the company. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured every 3-5 years at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on the date of change of use.

Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Wyong Race Club Limited
Notes to the financial statements
30 June 2016

Note 2. Significant accounting policies (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives. The depreciation rates used for each class of depreciable assets are:

Buildings improvements	5 - 40%
Grandstand	2.5%
Plant and equipment	10-40%
Motor vehicles	10-20%
Ground improvements	2.5 - 20%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for long service leave not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Superannuation

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

WYONG RACE CLUB

ANNUAL REPORT 2015-2016

Wyong Race Club Limited Notes to the financial statements 30 June 2016

Note 2. Significant accounting policies (continued)

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Continued viability of Wyong Race Club

Racing NSW has ultimate control over the allocation of race meetings to be held at Wyong Race Club and this affects the performance of the Club. The Club is committed to conducting thoroughbred race meetings.

Economic dependence

The company is dependent upon the ongoing funding from Racing NSW to ensure continued operations.