



newcastle jockey club

ANNUAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2011

NEWCASTLE JOCKEY CLUB LIMITED

(A COMPANY LIMITED BY GUARANTEE) ABN 13 000 002 513

NEWCASTLE JOCKEY CLUB LIMITED
NOTICE OF MEETING
REPORT FOR THE YEAR ENDED 30TH JUNE, 2011

Notice is hereby given that the 110th Annual General Meeting of members of Newcastle Jockey Club Limited will be held in The Pavilion at Broadmeadow racecourse on Tuesday November 29, 2011 at 6:00pm.

Business:

1. Confirmation of minutes of Annual General Meeting held on October 26, 2010;
2. To receive the Annual Report for the year ended June 30, 2011;
3. To receive the Auditor's Report for the year ended June 30, 2011;
4. To consider and, if thought fit, to pass the following resolution as a special resolution:-

"That clause 9.2 of the Company Constitution be amended to read as follows:-

The Company will initially be comprised of the following categories of members or any categories as deemed appropriate by the Board –

- (a) Ordinary members;
 - (b) Honorary members;
 - (c) Temporary members;
 - (d) Life members;
 - (e) Junior members; and
 - (f) Corporate members."
5. To consider and if, thought fit, to pass the following resolution as a special resolution:-

"That a new clause 9.9 be inserted into the Company Constitution to read as follows:-

"Corporate Members

 - (a) Corporate membership may be granted to Companies, businesses or individuals at the discretion of the Directors;
 - (b) Corporate Members shall pay such admission fee and annual subscription fee as is determined from time to time by the Directors;
 - (c) A printed membership card and guest cards are to be retained by the corporate member, the number of which is to be determined by the Directors; and

- (d) Corporate members will have all the entitlements of an ordinary membership but will not be entitled to full voting rights.

and thereafter amend the numbering such that existing clause 9.9 becomes clause 9.10, existing clause 9.10 becomes clause 9.11 and so on.”

6. In accordance with Article 9.7 of the Constitution of Newcastle Jockey Club Limited, the Board of Directors recommends to the members that posthumous life membership of the club be conferred on Mr J.M. Cleaves in recognition of excellent service to the club as a member of the Board of Directors since April 1991 (20 years), including Vice Chairman between 1999-2002 and 2008-2011; and
7. The transaction of such other business as may be in accordance with the Constitution.

Please note: Full Financial Statements are available upon request from the offices of the Newcastle Jockey Club. To enable comprehensive answers to be provided, any questions pertaining to the Annual Financial Statements must be in writing and lodged with the Chief Executive no later than the close of business on Friday November 18, 2011.



Cameron Williams
Chief Executive

CHAIRMAN'S REPORT

Dear Members,

On behalf of the Board of Directors of Newcastle Jockey Club, I am pleased to report on the operations of our club for the 2010/11 season.

During the year, the NJC conducted 29 race meetings at Broadmeadow including a successful 2010 spring carnival, in spite of the uncertain economic conditions.

Newcastle Jockey Club continues to be a standout by generating greater wagering turnover and supplying New South Wales race fields with more race starters than any other provincial club.

We have maintained our position as a premier provincial racing destination and are well placed for further development as a Centre of Excellence under the RacingNSW Strategic Plan.

We wait in anticipation of a successful result for the Thoroughbred Racing Industry in the Racefields Legislation Litigation.

I am pleased to report that after recording a pre-depreciation net result of (\$168,593) in 2009/10, the club has delivered a positive pre-depreciation net result of \$831,575 in 2010/11.

This leaves us with an overall loss after depreciation of (\$144,687) for the year in review. It is a vast improvement over last year's result of (\$1,098,647) and (\$1,630,700) recorded in 2008/09.

During the year, a number of opportunities have been identified for consideration within the development of a new Master Plan for Broadmeadow racecourse and submitted to Racing NSW.

These have included:

- Renovation/conversion of the Number 2 turf track to become an inside racing and training surface;
- Renewal of the course proper;
- Construction of equine and vehicular tunnel to the Broadmeadow infield;
- Construction of additional permanent stabling;

The Board and management are also continuing their work identifying master planning opportunities around the perimeter of the Broadmeadow site. It is essential that any non-racing related development activity generates a satisfactory return on

investment for the club and fits within the overall use of the site. Importantly, it must also not impede on our core business, which is thoroughbred racing and training.

Sadly, our former vice-chairman John Cleaves passed away in June. John was 72 and had retired from the Board only five and a half weeks earlier, due to illness. There was standing room only at St John's Anglican Church at Cessnock for his funeral. I had the privilege of delivering one of the eulogies and spoke about John's many achievements during his 20 years on the Board – including two tenures as vice-chairman. In recognition of his outstanding service to the club, the Board has recommended John Cleaves for posthumous life membership at this year's annual general meeting.

Following John's retirement, Geoff Barnett was unanimously appointed vice-chairman at the May 27 Board meeting. In accepting his new role Mr Barnett expressed his vision for being extremely vigilant in keeping costs in line and at the same time continuing to attract revenue from non-wagering sources to ensure the viability of our operations.

The board also made a key strategic decision to appoint Cameron Williams as Chief Executive.

Cameron joined the club on the back of his previous position as head of Strategy and Investments at the Australian Jockey Club (now Australian Turf Club), based at Royal Randwick. The Board also appointed Mike Hadaway to fill the vacancy on the Board left by the retirement of John Cleaves.

Feature results for the year in review are as follows:

Broadmeadow

2010

Tooheys New Newcastle Gold Cup (Group 3)

Winner – Stratofortress (Trainer Gai Waterhouse – Jockey Peter Robl)

MGA Insurance Brokers Spring Stakes (Group 3)

Winner – Ilovethiscity (Trainer Grahame Begg – Jockey Glen Boss)

Patinack Farm Cameron Handicap (Group 3)

Winner – Kenny's World (Trainer Graeme Murray – Jockey Tim Clark)

Patinack Farm Tibbie Stakes (Listed)

Winner – Vintedge (Trainer Chris Waller – Jockey Hugh Bowman)

2011

Newcastle Jets Community Newmarket Handicap (Group 3)

Winner – Keepin’ the Dream (Trainers Jim & Greg Lee – Jockey Peter Wells)

Cessnock

2010

Keno, ClubsNSW and the Herald Jungle Juice Cup

Winner – Cruzado (Trainers Albert Stapleford – Jockey Luke Cumberland)

2011

Sky Racing Gold Breast Cancer Cup

Winner – Sly Lu (Trainer Mark Mason – Jockey Robert Thompson)

Substantial commencement of works under the Newcastle Jockey Club masterplan is progressing quickly starting with renewal of track surfaces.

Yours sincerely



Brian Reardon,
Chairman



CHIEF EXECUTIVE'S REPORT

Dear Members,

It is a privilege to be providing my first report as Chief Executive Officer of the Newcastle Jockey Club for the 2010/11 financial year.

After a run of difficult reporting seasons, it is particularly pleasing to report a significant turnaround in the Club's financial performance and operational results.

In short, the NJC is in a far better position coming out of 2010/11 than it was coming out of 2009/10.

	2010/11	2009/10
Net Result before depreciation	831,575	(\$168,593)
Depreciation	(\$976,262)	(\$930,054)
Profit / (Loss)	(\$144,687)	(\$1,098,647)

The Club has delivered a pre-depreciation net surplus of \$831,575. This represents a \$1,000,168 improvement over the 2009/10 pre-depreciation loss of (\$168,593). I am committed to taking this improvement further to deliver a net operating result in 2011/12 that covers the Club's cost of depreciation.

The Club recorded an increased year on year depreciation cost resulting from significant reinvestment into our facilities. During 2010/11, the NJC invested over \$1 million into new infrastructure and improvements including improved stabling facilities, a new trackside LED screen, new escalator, new finance system including point of sale software and four new tractors.

Positive variance in non-operating revenue for 2010/11 was attributable to improved performance from the Club's investment portfolio. This was achieved via a combination of realised capital gains and increased yield from short term deposits.

The NJC's key indicator of performance the Club's "bottom line", our overall profit / (loss) result. The NJC has recorded a (\$144,687) loss for 2010/11. By comparison, the 2009/10 result was a (\$1,098,647) loss and 2008/09 was a (\$1,630,700) loss.

Contributing factors in this year's much improved result include the following:

- Prizemoney funding assistance from Racing New South Wales equivalent to \$4,000 per provincial race.
- A 13% year on year improvement in Country Racing distributions for Wine Country Race Club equating to an additional \$135,000 in revenue.
- 244 non-race day events during 2011 compared to 219 in 2010.
- Raceday function attendance was up 22% which included an additional 796 Patrons attending Chevals restaurant during 2010/11

- A 24% increase in food and beverage revenue supported by a 45% increase in total visitation to Broadmeadow Racecourse.

Key Performance Indicators

	2011	2010
Profit / (Loss)	(\$144,687)	(\$1,098,647)
Food and beverage revenue	4,455,560	3,585,168
Food and beverage cost of goods to revenue %	37%	38%
Operating income change (year on year) %	16%	(9%)
Operating expense change (year on year) %	9%	(7%)
Working Capital Ratio %	2.01:1	1.43:1
Debt to Equity Ratio %	0.14:1	0.13:1
Total revenue derived from racing and training activity %	65%	66%

Balance Sheet

Current liabilities have been maintained at relatively consistent levels from 2009/10 to 2010/11 growing slightly from \$2,020,093 to \$2,090,917. However an increase in current assets from \$2,897,346 to \$4,193,056 has been achieved as a result of the strategic divestment of capital growth equities and reinvestment into short term, low risk deposits. The Club now has a healthier (more solvent) balance sheet with approximately \$2.00 in current assets for every 1.00 of current liabilities.

The Club has relatively little debt. At 30 June 2011, the NJC had 14 cents of debt for every 1 dollar of equity giving a debt to equity ratio of 0.14:1. This is pleasing given the millions of dollars we have invested in property, plant and machinery. It also demonstrates the Club's very low exposure to interest rate volatility.

New Business

An ongoing objective is delivering new business as a platform for net revenue growth. Indicators of the Club's success in this area include:

- 39,347 additional visitors to the NJC in 2010/11 representing a 45% increase over 2009/10. The majority of this additional visitation flowed through non-racing events including expos, weddings and school formals.
- Additional food and beverage revenue of \$870,392 representing a 24% increase over 2010.
- Year on year operating income growth of \$2,200,991 reflecting a 16% increase over 2009/10 figures and signalling a trend reversal. In contrast, 2009/10 figures had fallen by 9% compared to 2008/09.
- A corresponding increase in the Club's operating expenditure was confined to 9%.

Racing Activity

Thoroughbred racing is at the very core of the Newcastle Jockey Club. Despite a huge effort to increase revenue streams across the business, it is pleasing to report that the proportion of total NJC revenue derived from racing activity has remained relatively consistent despite challenging economic conditions and a growing portion of wagering turnover going to corporate bookmakers. Racing and training continued to contribute approximately two thirds of total NJC revenue during 2010/11.

Of the 9,896 starters trained at Provincial Race Clubs during 2010/11, the NJC has significantly accounted for 3,161 or 32%. Such is the Club's commitment to providing training facilities to the industry, and in particular to our local participants.

The NJC is anxiously awaiting a successful Racefields Legislation outcome in the hope that the Club, and the industry, will at last see a return from wagering activity carried out with corporate bookmakers. A downwards trending year on year wagering distribution from Racing NSW for Broadmeadow Racecourse is testament to the increasing leakage in wagering activity to corporate bookmakers. Pleasingly, this leakage was contained to just over \$93,000, and was offset by increased Racing NSW distributions for Wine Country Race Club.

Non Racing Highlights

The NJC delivered 244 non-race day events during 2010-11 ranging from school formals to corporate events and expos. This represents an 11% increase over 2009/10 during which 219 events were held.

Nathan Tinkler Lunch

One of the more memorable non-racing highlights for the year took place on Friday 20th May when the NJC hosted over 600 guests at a luncheon fundraiser with Nathan Tinkler as guest speaker. With a captive audience made up of some of the most influential companies and individuals across the Hunter Region, it was a great opportunity for the NJC to showcase what it is capable of through excellent planning and execution. The NJC is very appreciative of Nathan Tinkler for agreeing to this event.

The Year Ahead - Objectives and Strategies

The Newcastle Jockey Club's main objective is to be a premier thoroughbred racing and entertainment destination. Our aim is to provide a modern and appealing facility centred on the sport of thoroughbred racing for members of the Newcastle Jockey Club, industry stakeholders and visitors.

Key strategies of the Club for 2012 will include:

- To operate as a surplus generating enterprise to create cash reserves for reinvestment into the Club, the Thoroughbred Industry and the local community. In doing so, adopt a business culture that seeks return on investment supported by comprehensive due diligence, risk management and stakeholder engagement.
- Strive for Racing and Training Centre of Excellence status complete with an integrated masterplan, facility upgrade program and self sufficient funding model.
- Administer all NJC activity in line with contemporary governance practices.

Thank You's

I thank our Members for your ongoing support of the Club and look forward to my team providing the best possible Raceday experience and non-Raceday entertainment for the coming year.

We have just under 300 employees on our books at the NJC and each is critical to what we do and how well we do it. I consider myself very fortunate to have such a committed and passionate team. Thank you to all for a job well done.

I would like to thank all of our sponsors for their generous support and participation with our Club. I would like to make special mention of our major sponsors, Tooheys, Patinack Farm, MGA Insurance, Schweppes, De Bortoli and Smirnoff.

Finally, in May this year I was given the honour of joining our Club as Chief Executive. I take this opportunity to thank Chairman Brian Reardon and the Board of Directors for their trust, their ongoing support and guidance. We have some very big plans for the NJC. I look forward to the year ahead with you all and to a successful 2012 for the Newcastle Jockey Club.

Yours sincerely



Cameron Williams
Chief Executive



NEWCASTLE JOCKEY CLUB LIMITED
A.C.N. 000 002 513
FOR THE YEAR ENDED 30 JUNE 2011

STATEMENT OF COMPREHENSIVE INCOME

	2011 \$	2010 \$
Revenue & Other Income		
Revenue from operating activities	15,982,660	13,781,669
Revenue from non-operating activities	<u>290,450</u>	<u>199,556</u>
Total revenue and other income	<u>16,273,110</u>	<u>13,981,225</u>
Cost of Goods Sold	(1,663,126)	(1,371,703)
Operating Expenses		
Advertising & promotion	(1,019,064)	(1,019,575)
Bar expenses	(819,927)	(714,042)
Catering expenses	(1,183,278)	(732,310)
Depreciation	(976,262)	(930,054)
Racing expenses	(7,360,552)	(7,257,087)
Rental	(172,267)	(216,309)
Track expenses	(1,669,237)	(1,587,172)
General & administration	<u>(1,554,084)</u>	<u>(1,251,620)</u>
Total operating expenses	<u>(14,754,671)</u>	<u>(13,708,169)</u>
Profit/(Loss) for the year	<u>(144,687)</u>	<u>(1,098,647)</u>
Profit/(Loss) attributable to members of the entity	<u><u>(144,687)</u></u>	<u><u>(1,098,647)</u></u>
Other Comprehensive Income		
Investment (gains)/losses realised during the year	(109,434)	(3,940)
Reversal of previous impairment losses	-	30,198
Increase/(Decrease) in fair value of available-for-sale investments	<u>42,456</u>	<u>-</u>
Total Comprehensive Income	<u><u>(211,665)</u></u>	<u><u>(1,072,389)</u></u>

This information has been extracted from the audited financial report.

The audited financial report is available to members upon request.

NEWCASTLE JOCKEY CLUB LIMITED
A.C.N. 000 002 513
AS AT 30 JUNE 2011

STATEMENT OF FINANCIAL POSITION

	2011	2010
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	1,693,645	1,360,275
Receivables	2,245,199	1,349,001
Inventories	185,549	109,711
Other	<u>68,663</u>	<u>78,359</u>
Total Current Assets	<u>4,193,056</u>	<u>2,897,346</u>
NON-CURRENT ASSETS		
Property, plant and equipment	16,375,811	16,296,066
Investment property	521,307	521,307
Other financial assets	<u>1,243,814</u>	<u>2,622,258</u>
Total Non-Current Assets	<u>18,140,932</u>	<u>19,439,631</u>
TOTAL ASSETS	<u>22,333,988</u>	<u>22,336,977</u>
CURRENT LIABILITIES		
Payables	1,783,000	1,023,174
Interest-bearing liabilities	63,156	757,303
Provisions	<u>244,761</u>	<u>239,616</u>
Total Current Liabilities	<u>2,090,917</u>	<u>2,020,093</u>
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	587,306	430,430
Provisions	<u>20,758</u>	<u>39,782</u>
Total Non-Current Liabilities	<u>608,064</u>	<u>470,212</u>
TOTAL LIABILITIES	<u>2,698,981</u>	<u>2,490,305</u>
NET ASSETS	<u>19,635,007</u>	<u>19,846,672</u>
EQUITY		
Asset revaluation reserve	67,345	134,323
Retained profits	<u>19,567,662</u>	<u>19,712,349</u>
TOTAL EQUITY	<u>19,635,007</u>	<u>19,846,672</u>

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NEWCASTLE JOCKEY CLUB LIMITED
A.C.N. 000 002 513
FOR THE YEAR ENDED 30 JUNE 2011

STATEMENT OF CASH FLOWS

	2011 \$ Inflows (Outflows)	2010 \$ Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations	16,838,603	14,979,426
Payments to suppliers and employees	(16,335,879)	(15,166,121)
Borrowing costs	(35,045)	(78,918)
Interest received	<u>181,016</u>	<u>6,574</u>
Net cash provided by / (used in) operating activities	<u>648,695</u>	<u>(259,039)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for property, plant & equipment	(956,234)	(332,858)
Proceeds from maturity/sale of investments	1,980,899	1,898,077
Purchase of investments	<u>(559,999)</u>	<u>(651,917)</u>
Net cash provided by / (used in) investing activities	<u>464,666</u>	<u>913,302</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	700,000
Repayment of borrowings	<u>(779,991)</u>	<u>(764,092)</u>
Net cash provided by / (used in) financing activities	<u>(779,991)</u>	<u>(64,092)</u>
Net increase / (decrease) in cash held	333,370	590,171
Cash at beginning of financial year	<u>1,360,275</u>	<u>770,104</u>
Cash at end of financial year	<u><u>1,693,645</u></u>	<u><u>1,360,275</u></u>

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