

Gosford Race Club Limited

ABN 26 003 846 124



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22nd Annual Report 2011

GOSFORD RACE CLUB LIMITED

GOSFORD RACE CLUB LIMITED

ABN 26 003 846 124

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2011

BOARD OF DIRECTORS

Chairman

MA Cusick

Vice-Chairman

JM Macfadyen

Honorary Treasurer

S McShane

Directors

AEJ Allen, NT Crews, RC Delaney, AW Griffiths, AP Hurley, WH Rutledge AM

Life Members

NM Agnew, C Aldrick, IJ Brennan, NW Cowell, I Craig, JAH Flakelar,
NE Laird, BJ Little, AP Norrgard, WH Rutledge AM, JR Ryan, AG Swan, A Stapleford
BF Taylor, JH Toms APM, ES Toovey, FJ Ward

Administration

Chief Executive – James Heddo

Registered Office

Racecourse Road, West Gosford NSW 2250

Auditor

O'Donoghue & Co

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twenty second Annual General Meeting of the Members of the Gosford Race Club Limited will be held in the Brasserie Dining Room, Gosford Racecourse on Monday 24th October 2011 at 5.00pm

(Only full financial members and life members are eligible to vote)

AGENDA

1. To confirm the Minutes of the twenty first Annual General Meeting of Gosford Race Club Limited held Monday 25th October 2010.
2. To receive and consider the reports of the Board and Management.
3. To receive and consider the Profit & Loss Statement, Balance Sheet and Auditor's Report.
4. To elect three (3) members to serve on the Board of Directors of the Club. Current Directors of the Board NT Crews, RC Delaney & WR Rutledge retire and are eligible to nominate for re-election in accordance with the Gosford Race Club Rules & Constitution and offer themselves accordingly.

Note: As per 21.3 (b) nominations for election to the Board shall be made in writing signed by two members and the nominee, who are full financial members of the club at the time of signing the nomination form. Nominations are to be received by the Secretary no later than 4pm Monday 26th September 2011 at the Club's registered office.

5. To deal with any business of which due notice has been given.

By Order of the Board 12th September 2011

James Heddo

Chief Executive Officer

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CHAIRMAN'S REPORT

On behalf of the Gosford Race Club Board, it is my pleasure to present my first Annual Report as Chairman.

The 2010/2011 season has presented many challenges, and I am pleased to report that the Club has gone some way to addressing these challenges with a tremendous financial result in difficult times.

Racing in Australia and particularly in NSW is in a state of transition. It is a transitory period that the industry must embrace or face becoming an irrelevant side show over coming generations.

We face declining crowds, new forms of wagering and increasing costs and threats from compliance regimes and outside interest groups. We as an industry and a Club must redefine ourselves, and have a clear strategic vision going forward. To this end we have worked tirelessly on our vision in the last 18 months, however this is an evolutionary process and due to the rapidly changing environment one that must be both dynamic and flexible. I am sure that in coming months you will see evidence of this vision slowly taking shape by way of announcements regarding our future direction.

In the last couple of years we have made some tough but prudent decisions, always with the goal of positioning the Club for its future prosperity. Just doing something because "that's the way it has always been done" does not mean it is the right way to do it. These decisions all relate back to our overall strategic view, that of becoming the pre eminent Provincial Club in NSW which if to be achieved means the Club must first be profitable and secondly financially strong.

Gosford Race Club is cash and asset rich, with a youthful and vibrant Board and an innovative and energetic CEO. In a lot of ways though, our future is out of our hands, and the decisions that Racing NSW make in the next two years will determine the way forward not only for Gosford but for all Race Clubs in NSW.

I am hopeful that during these changing times Racing NSW embraces partnerships with strong and financially secure Clubs like Gosford. We look forward to partnering with the Governing Body as we work towards our mutual goals.

Finance

In the 2010/2011 season the Gosford Race Club recorded an operating profit of \$127,628 after depreciation and amortisation. This is a stunning turnaround after last year's loss of \$729,240, and I congratulate my fellow Board Members, Management and Staff at Gosford Race Club.

Our overall profit of \$3,074,682 has come about due to the realised gains of \$2,947,054 recorded from the sale of the Racecourse Gardens land.

The operating profit turnaround result has come about in part due to additional funding from Racing NSW, which was spread evenly across the five Provincial Clubs.

The main thrust of this turnaround though has been the efficient operation of our business and stringent cost cutting measures that the Club has adopted through these difficult financial times.

The Club has made significant savings in the aspects of our business that we can control including Racecourse and Facility Maintenance, Raceday Operation expenses and Marketing and Promotional expenses. These savings have been achieved with no detrimental effect on our overall business operation and we will continue to look at ways to minimise costs whilst ensuring that our high standards of service continue.

At the same time we increased our prizemoney to a record \$3,224,000 distribution, which is the most prizemoney the Gosford Race Club has ever paid out in one season.

We also became the first Club in NSW to install Plastic Running Rail, and we appreciate the support of the Fornells organisation during this installation which was fully funded by the Club.

These results have come about despite the current Intra Code funding model which in the Club's opinion is outdated. The future funding of Race Clubs needs to be a priority for Racing NSW and as this has been discussed by the Governing Body for at least the past 5 years needs to be moved to the top of the queue.

Many of our sister states such as Victoria & Queensland have moved to a model where the Governing body manages the funding for all prize money, jockey fees, insurance, stewards fees and other ancillary raceday costs and pays the Race Club a meeting fee based on the classification of the meeting as well as an administration fee. We believe a model such as this has merit and is worthwhile investigating.

Decisions such as these will be a major contributor to future profitability of all clubs. It is worthwhile noting that in this year alone many clubs in NSW will post six figure losses which adds to the merit of the turnaround here at Gosford. However tough decisions will need to continue to be made to ensure our success continues.

Strategic Development

On Thursday 16 June 2011 the Board of the Gosford Race Club met to update our Strategic Plan 2010-2020 and outline the GRC vision for the future of racing at Gosford.

We are conscious that we do not want to create a document full of motherhood statements that will be thrown on the bookshelf to gather dust. We have set some achievable goals and targets that have been linked to realistic time lines.

Foremost in the GRC Strategic Plan is the implementation of a Twilight Season that will encompass the Clubs five scheduled meetings through January, February and March in 2012 on the following dates.

Thursday 12 January 2012
Friday 20 January 2012
Thursday 9 February 2012
Thursday 23 February 2012
Friday 9 March 2012

As part of a proposed Twilight Season, the Club has moved the Gosford Gold Cup to Thursday 12 January 2012, which would launch this new venture.

We feel that twilight racing may be the first step to achieving our ultimate goal of Friday night racing, and if Racing NSW decides to pursue night racing in the future we want to ensure that we have positioned ourselves as the venue of choice.

As part of our racing strategy, the Gosford Race Club has applied to Racing NSW to host a stand alone metropolitan status Saturday meeting from the 2012/2013 season onwards. We will run a minimum of three Black type races on this day and distribute a minimum of \$810,000 in prizemoney if successful in our application.

The Club has also been working on a master plan which will result in the upgrade of the grandstands and carparks and will enhance patron comfort when attending events at Gosford Racecourse. The upgrade will be dependent though on Racing NSW support and vision for the future of racing at Gosford.

CHAIRMANS REPORT (Continued)

We realise the importance of offering a premium experience for patrons who attend events at Gosford Racecourse and we are in a position to contribute to this upgrade which I am confident will be well received and lead to greater raceday and non raceday attendances.

There is no point though investing in these types of developments if we are to continue racing predominantly on midweek afternoons with average attendances of 500 and falling. We would require an assurance on Friday twilight racing, or better still Friday night racing, for this development to be worthwhile.

Race Fields Legislation

This is quite clearly the biggest issue currently facing the Industry, and it is fair to say that the Industry in NSW has been somewhat in limbo since Betfair and Sportsbet commenced legal challenges in September 2008.

I am pleased to report that this matter is now in the High Court and a final decision should be known one way or the other by Christmas 2011.

The Gosford Race Club supports Racing NSW in their endeavours to secure 1.5% of turnover as a payment from Corporate Bookmakers.

Racecourse Gardens

I am pleased to announce that in October 2010, contracts for the sale of this land were exchanged and the Club sold this land to Busways for \$4.85 million.

This was an excellent return on our investment and has secured the future financial strength of the Gosford Race Club.

Central Coast Highway/Racecourse Road Corner Block site

In May 2011, after seven years of hard work, we received news that approval for the rezoning of this land had been received, meaning that commercial development is now permissible on this site.

The Club commenced an Expression of Interest Campaign to develop this site and is currently in discussions with a number of prominent developers to determine the best course of action.

It is our goal to secure long term commercial and/or retail rental from this site and it is hoped that a suitable development will have commenced by this time next year.

Racing

The Gosford Race Club hosts four feature Black Type races each year, and the following tables shows the results of these events in 2010/2011.

Race	Winner	Jockey	Trainer
\$100,000 Belle of the Turf Stakes	Hidden Wonder	Jay Ford	Kris Lees
\$125,000 Gosford Gold Cup	Keepin' The Dream	Tommy Berry (a)	Patrick & Wayne Webster
\$250,000 Gosford 3YO Guineas	Sincero	Chris O'Brien	Stephen Farley
\$100,000 Takeover Target Stakes	Title	Jay Ford	Joseph Pride

CHAIRMANS REPORT (Continued)

The highlight of the racing year at Gosford was undoubtedly the performance of Sincero in the \$250,000 De Bortoli Wines Gosford 3YO Guineas.

Sincero shrugged off the disruption of the race being rescheduled due to heavy rain to record a resounding victory before going on to capture the \$1 million Group 1 Stradbroke Hcp during the Brisbane Winter Carnival.

The Club applied to have this race upgraded from Listed status to Group 3 status, and despite not earning an upgrade for the 2012 running of this event we will continue to go through the correct channels until this race has been appropriately recognised.

Premierships

Congratulations to the winners and thank you to the sponsors of the premierships, B & L Herington Wholesalers, Elanora Hotel, & Thoroughbred Publishing, whose support of the premiership is greatly appreciated. The premierships all went down to the wire but I am pleased to announce the following winners.

Leading trainer:	Guy Walter (9) Gai Waterhouse (9)
Leading Jockey:	Christian Reith (13)
Leading Apprentice:	Tommy Berry (7) Jake Hull (7)

Sponsors

An integral part of Gosford Race Club's revenue comes in the form of sponsorship. I would like to acknowledge the outstanding contribution of all of our sponsors, and on behalf of the Board I thank them for their support.

We have many long term and loyal sponsors, and this is because of the value for money packages that we offer and the outstanding facilities available at the Club.

During the 2010/2011 year support was received from the following sponsors and their co sponsors:

Gosford Quarries	Lion Nathan – Tooheys
SKY Channel	Tabcorp
Gosford City Council	Singo's Wholesale Meats
Schweppes	Men of League Foundation Central Coast
Westpac Rescue Helicopter Service	Samaritans
Central Coast Holden	Rotary Club of Gosford
Todayscountry94one	Walker Bros. Timber & Building Supplies
Turfcare NSW	E-Group Security
Donnica Clarke Foundation	Broken Bay Catholic Diocese
HMA Group of Companies	De Bortoli Wines
Michael Hansell Signs	Macleans
Narara Plumbing	GT Party Hire
Empire Bay Tavern	Avoca Beach Dental
New Age Veneers	

Staff Issues

We have a great team of staff at Gosford Race Club and all work hard to achieve the Club's goals.

We are run professionally and efficiently and I congratulate all of the team at the Club for their outstanding efforts during 2010/2011.

On behalf of the Directors I would like to take this opportunity to congratulate James Heddo for his fine efforts as Chief Executive Officer of the Gosford Race Club. James commenced his career in racing administration at the Sydney Turf Club in 1988, and further developed his career in Queensland and Victoria before starting at Gosford in 2008. His experience, insight and knowledge has certainly made the decision making process at Board level that much easier.

James's job is made all the more easy by a tremendous back up administration team. I would like to thank Helen Guest, Rochelle Barker, Belinda Poulton and Katie Starr for their tireless efforts. Also to our Bar Manager Sean Grogan who has made such a difference to the running of this important part of our business, thank you.

It is widely recognised by Jockeys & Trainers that Gosford possesses one of the premier racing surfaces in NSW. The feedback regarding this important fact of our business that I and other members of the Board receive is overwhelmingly positive. I would like to take this opportunity to thank Stephen Scollard our Track Manager (and race day jack of all trades) and his team for their outstanding efforts that enables us to get this recognition.

Skip Guest continues to run the Golf Driving Range located in the middle of the Gosford Racecourse and I thank him for his continuing cooperation and professionalism.

To our Accountants Robson & Co and our Auditor Patrick O'Donoghue thanks also for your advice and guidance in the last 12 months as we have gone about the job of turning the profitability of the Club around.

Finally I would also like to thank all our Race Day staff who make these events run so smoothly.

Acknowledgements

I wish to acknowledge the support received from the following:

Racing NSW	Department of Liquor, Gaming & Racing
Australian Turf Club	All the Provincial Race Clubs
NSW Owners Association	NSW Jockeys Association
NSW Bookmakers Co-operative	NSW Trainers Association
NSW Thoroughbred Breeders Association	

and all other Clubs and Associations who readily gave their assistance when requested.

Appreciation

In closing I would like to pay particular thanks to my fellow board members led by the executive team of Vice Chairman Jim Macfadyen and Treasurer Stephen McShane and including Bill Rutledge, Reg Delaney, Andrew Allen, Nick Crews and the two new members Michael Griffiths and Andrew Hurley. They have all provided invaluable support and guidance throughout the year and have made my first year as Chairman all the more easy. It has been an honour to lead such a dedicated and talented group and I look forward to continuing to work with them in the future.

I would also like to personally thank our CEO James Heddo for his support and assistance in my first year. It has been quite a learning curve at different times throughout the last 12 months and his experience has been invaluable. We are both passionate believers in the future of racing here at Gosford and are committed to delivering on our vision.

CHAIRMANS REPORT (Continued)

It would be remiss of me not to mention our three long serving directors who departed at last year's AGM, Peter Norrgard, Norm Cowell and Ted Toovey. Thank you for your efforts for the Club over many years and it's great to see you still attending most race days.

Finally to all our members can I offer my heartfelt thanks. Firstly for the huge vote of support you showed the Board and our vision for the future at last year's AGM and secondly by the ongoing support you provide to the Club by your membership and attendance at our various race days. Your ongoing support is imperative to the future of the Club, and the importance of this is not lost on the Board.

I hope the results we have achieved this year have in some way repaid that support.

May I wish you all good health and prosperous punting for the year ahead.

Michael Cusick
Chairman

DIRECTOR'S REPORT

GOSFORD RACE CLUB LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDING 30TH JUNE 2011

To be presented to members at the Annual General Meeting of Gosford Race Club Limited (the company) to be held in The Brasserie, Gosford Racecourse, on Monday 24th October 2011 at 5.00pm.

The directors present their report on the financial accounts of the company for the year ended 30th June 2011.

NAMES OF DIRECTORS

The names and particulars of the directors in office at the date of this report are:

Name	Experience and Special Responsibilities	Responsibilities Qualifications
M A Cusick Chairman	Director since August 2009 Elected as Chairman 26/10/10	Ex-Officio Member on all Sub Committees Financial Advisor
J M Macfadyen Vice Chairman	Director since October 2008 Elected Vice Chairman 26/10/10	Finance Sub Committee Racecourse & Buildings Sub Committee Company Secretary
S McShane Hon. Treasurer	Director since May 2005 Elected Treasurer 14/02/06	Finance Sub Committee Chartered Accountant
A E J Allen Director	Director since May 2006	Racecourse & Buildings Sub Committee Licensed Real Estate Agent
N T Crews Director	Director since August 2007	Finance Sub Committee Business Development Sub Committee Company Director
R C Delaney Director	Director since October 2003	Racecourse & Buildings Sub Committee Business Development Sub Committee Company Director
M W Griffiths Director	Director since October 2010	Finance Sub Committee Business Development Sub Committee Company Secretary
A P Hurley Director	Director since October 2010	Business Development Sub Committee Sales Manager
W H Rutledge A M Director	Director since November 2003	Finance Sub Committee Racecourse & Buildings Sub Committee Solicitor

COMPANY SECRETARY

James Charles Heddo (appointed 29th September 2008)
Former employee Sydney Turf Club (1988-2000), CEO Townsville Turf Club (2000-2005) and CEO Bendigo Jockey Club (2005-2008). Extensive experience in racing industry management.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year has been to conduct licensed horse racing. There has been no significant change in the nature of these activities during the year.

REVIEW AND RESULTS OF OPERATIONS

The operating profit of the company for the financial year was \$3,074,682, which includes an amount of \$2,947,054 from the realised gain from the sale of Racecourse Gardens.

DIVIDENDS

Under the club's constitution no dividend can be paid.

FINANCIAL POSITION

The company is in a strong financial position with investments of \$7,490,046.

STATE OF AFFAIRS

No significant changes in the company's state of affairs occurred during the financial year. There has not been any matter or circumstance, other than that referred to in the accounts or notes thereto, that has arisen since the end of the financial year and has significantly affected, or may significantly affect, the company's operations, the results of those operations, or the company's state of affairs in the financial years after the financial year.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Much of the future planning of Gosford Race Club hinges on Racing NSW outcomes in relation to Race Fields Legislation and the new Intra Code Agreement.

The Race Fields Legislation case has now been heard in the High Court, and a final result should be delivered by December 2011.

The Gosford Race Club has applied to Racing NSW for a stand alone metropolitan status Saturday raceday which is hoped to be held in October/November 2012 and then each year onwards. The Club could possibly run its four Black Type races on this day and offer a total of \$1 million prizemoney which would be a great promotion for the Club and for racing on the Central Coast. The Club has also applied for a minimum of 12 Friday twilight meetings each season between October and March, and the club is confident that these meetings will deliver increased revenues through on course activities.

It is hoped that the success of these twilight meetings will position the club to be the "venue of choice" if Racing NSW decides to pursue night racing.

In March 2011, the Gosford Race Club owned land on the corner of Central Coast Highway and Racecourse Road was rezoned to 3 (b) Special Business, which allows commercial and/or retail development. The club undertook an expression of interest campaign through Knight Frank Real Estate to identify interested developers to partner with the club in developing this site. The aim for the Gosford Race Club is to secure long term rental returns which will further secure the clubs future.

The Gosford Race Club will continue to investigate all opportunities to increase both race day and non race day revenue.

ENVIRONMENTAL ISSUES

The Gosford Race Club continues to successfully utilise run off water and bore water to maintain our tracks and facilities which has significantly reduced the need for town water. The club continues to work closely with Gosford City Council on water saving initiatives.

DIRECTORS BENEFITS

During or since the financial year other than disclosed in Note 13, no director of the company has received or become entitled to receive a benefit because of a contract that the director, or a firm in which the director is a member, or an entity in which the director has a substantial financial interest made with the company, or an entity that the company controlled, or a body corporate that was related to the company, when the contract was made or when the director received, or became entitled to receive the benefit.

OFFICER'S AND AUDITOR'S INDEMNIFICATION

The company has not, during or since the financial year, in respect of any person who is or has been a director or officer of the company:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

With the exception of the following matters:

During or since the financial year the company had paid premiums to insure each of the following directors and company officers against liabilities.

The amount of the premium was paid by Racing NSW and liability is limited to \$10 million.

A E J Allen	N W Cowell	N T Crews
M A Cusick	R C Delaney	M W Griffiths
	J C Heddo	A P Hurley
J M Macfadyen	S McShane	A P Norrgard
W H Rutledge	E S Toovey	C Aldrick

DIRECTOR'S REPORT (Continued)

RECORD OF ATTENDANCE AT BOARD MEETINGS

Name	Board	
	A	B
M A Cusick	12	12
J M Macfadyen	12	9
S McShane	12	12
A E J Allen	12	12
N T Crews	12	10
R C Delaney	12	12
M W Griffiths	12	11
A P Hurley	12	12
W H Rutledge	12	12

Column A – Indicates number of meetings held during the period the director was a member of the Board.

Column B – Indicates number of meetings attended during the period the director was a member of the Board.

PROCEEDINGS ON BEHALF OF COMPANY

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

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

AUDITOR'S INDEPENDENCE DECLARATION

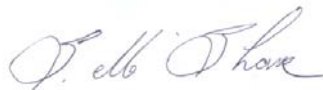
The Auditor's Independence Declaration for the year ended 30th June 2011 has been received and forms part of the Annual Financial Report.

Signed in accordance with a resolution of the directors made pursuant to Section 310(2) of the Corporations Law.

On behalf of the directors.



M A Cusick
Director



S McShane
Director

Dated at Gosford this Tuesday the 27th day of September, 2011

GOSFORD RACE CLUB LIMITED

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30TH JUNE 2011

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 8 to 17 are in accordance with the *Corporations Act 2001* and:
 - a) comply with Accounting Standards; and
 - b) give a true and fair view of the financial position as at 30th June 2011 and of the performance for the year ended on that date of the company.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



M A Cusick
Director



S McShane
Director

Dated at Gosford this Tuesday the 27th day of September, 2011

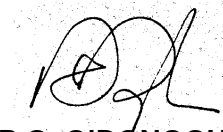
GOSFORD RACE CLUB LIMITED
AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF GOSFORD RACE CLUB LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30th June 2011, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

O'Donoghue & Co
Ground Floor, 86 Mann Street
GOSFORD NSW 2250
Ph. (02) 4325 0314

O'DONOGHUE & CO



P.G. O'DONOGHUE
Principal

Registered Company Auditor

Dated at Gosford this Tuesday the 27th day of September, 2011

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
GOSFORD RACE CLUB LIMITED
FOR THE YEAR ENDED 30TH JUNE 2011**

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
GOSFORD RACE CLUB LIMITED
FOR THE YEAR ENDED 30TH JUNE 2011**

REPORT ON THE FINANCIAL REPORT

We have audited the financial report of Gosford Race Club Limited which comprises of the Statement of Financial Position as at 30th June 2011, and the Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Directors Declaration of the company.

DIRECTORS RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the Independence Declaration required by the *Corporations Act 2001*, provided to the directors of Gosford Race Club Limited on the 27th September 2011, would be in the same terms if provided to the directors as at the date of this auditor's report.

AUDITOR'S OPINION

In our opinion, the financial report of Gosford Race Club Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's financial position as at 30th June 2011 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporation Regulations 2001;

O'Donoghue & Co
Ground Floor, 86 Mann Street
GOSFORD NSW 2250
Ph: (02) 4325 0314

O'DONOGHUE & CO



P.G. O'DONOGHUE
Principal

Registered Company Auditor

Dated at Gosford this Tuesday the 28th day of September, 2010

GOSFORD RACE CLUB LIMITED

**STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 30TH JUNE 2011**

	2011	2010
	\$	\$
Revenue		
TAB distributions – net	5,070,156	4,438,033
Hospitality and events	605,285	540,592
Sponsorship and broadcast rights	951,498	879,896
Membership subscriptions	32,258	37,210
Property	90,562	139,312
Admissions	85,727	92,136
Bookmaker fees	12,579	71,757
Nominations and acceptances	168,886	146,512
Training fees	49,396	52,277
Golf	39,000	73,425
Sundry	27,142	2,306
Total Revenue	<u>7,132,489</u>	<u>6,473,456</u>
Other Income		
Investment Income	345,268	182,656
Profit/(Loss) on sale of property, plant and equipment	2,947,054	(39,444)
Realised Profit/(Loss) on Investments	12,819	45,479
Total Revenue and Income	<u>10,437,630</u>	<u>6,662,147</u>
Expenditure		
Prizemoney, trophies and subsidies	3,274,978	3,221,995
Hospitality and events	495,429	474,189
Racecourse maintenance	517,350	535,084
Racing	928,676	913,536
Administrative	1,433,101	1,478,471
Marketing and Promotions	113,773	112,721
Golf	3,178	58,105
Sponsorship costs	122,035	99,857
	<u>6,888,520</u>	<u>6,893,958</u>
Net profit before depreciation, amortisation and financing costs	<u>3,549,110</u>	<u>(231,811)</u>
Financing costs		
Interest paid	(13,474)	(16,738)
Net financing costs	<u>(13,474)</u>	<u>(16,738)</u>
Depreciation and amortisation	(460,954)	(480,691)
NET PROFIT/(LOSS) FOR THE YEAR	<u>3,074,682</u>	<u>(729,240)</u>
Profit for the period	<u>3,074,682</u>	<u>(729,240)</u>
Total recognised income and expense for the period	<u>3,074,682</u>	<u>(729,240)</u>

The accompanying notes form part of these financial statements.

GOSFORD RACE CLUB LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2011

	Notes	2011 \$	2010 \$
CURRENT ASSETS			
Cash	11	205,222	-
Cash on Hand	11	2,340	1,500
Receivables	4	179,007	910,164
Prepayments		15,336	-
Inventories	1(c,5)	48,804	40,560
TOTAL CURRENT ASSETS		<u>450,709</u>	<u>952,224</u>
NON CURRENT ASSETS			
Property, Plant & Equipment	2	12,198,560	15,601,785
Investments	3	7,490,046	3,171,329
TOTAL NON CURRENT ASSETS		<u>19,688,606</u>	<u>18,773,114</u>
TOTAL ASSETS		<u>20,139,315</u>	<u>19,725,338</u>
CURRENT LIABILITIES			
Cash	11	-	160,690
Interest bearing liabilities	7	-	200,000
Payables	6	235,604	1,068,910
Provisions	9	51,208	53,369
Other	10	17,380	143,018
TOTAL CURRENT LIABILITIES		<u>304,192</u>	<u>1,625,987</u>
NON CURRENT LIABILITIES			
Provisions	9	56,601	58,243
TOTAL NON CURRENT LIABILITIES		<u>56,601</u>	<u>58,243</u>
TOTAL LIABILITIES		<u>360,793</u>	<u>1,684,230</u>
NET ASSETS		<u>19,778,522</u>	<u>18,041,108</u>
MEMBERS' EQUITY			
Reserves	12	878,092	2,215,360
Retained Profits	15	18,900,430	15,825,748
TOTAL MEMBERS' EQUITY		<u>19,778,522</u>	<u>18,041,108</u>

The accompanying notes form part of these financial statements.

**GOSFORD RACE CLUB
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2011**

	Notes	2011 \$ INFLOWS (OUTFLOWS)	2010 \$ INFLOWS (OUTFLOWS)
Cash Flows from Operating Activities			
Cash receipts in the course of operations		7,132,489	6,473,451
Cash payment in the course of operations		(7,143,690)	(6,500,529)
Interest received		345,268	182,656
Interest paid		(13,474)	(16,738)
Net cash provided by Operating Activities	11 (2)	(320,593)	138,840
Cash Flows from Investing Activities			
Proceeds from Property Sale		4,827,562	-
Payments for property, plant and equipment		(206,815)	(523,878)
Investments made		(3,733,402)	270,588
Net Cash used in Investing Activities		887,345	(253,290)
Cash Flows from Financing Activities			
Repayment of Interest Bearing Liabilities		(200,000)	(100,000)
Net cash used in Financing Activities		(200,000)	(100,000)
Net increase/(decrease) in cash held		366,752	(214,450)
Cash held at the beginning of the financial year		(159,190)	55,260
Cash held at the end of the financial year	11 (1)	207,562	(159,190)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30TH JUNE 2011

	Retained Earnings \$	Reserves \$	Total \$
Balance at 1st July, 2009	16,554,988	2,055,442	18,610,430
Profit attributed to the entity	(729,240)	159,918	(569,322)
Balance at 30th June, 2010	15,825,748	2,215,360	18,041,108
Profit attributed to the entity	3,074,682	(1,337,268)	1,737,414
Balance as at 30th June, 2011	18,900,430	878,092	19,778,522

The accompanying notes form part of these financial statements.

These Notes form part of and should be read in conjunction with the 2010 Accounts.

Note 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers Gosford Race Club Limited and controlled entities. It is a public company limited by guarantee, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless stated otherwise.

Basis of Preparation:

The financial report of Gosford Race Club Limited has been prepared on an accrual basis and is based on historical costs and, except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. These accounting policies have been applied consistently with those of the previous year, except where there is a change in accounting policy.

Accounting Policies:

(a) Principles of Consolidation

A controlled entity is any entity Gosford Race Club Limited has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with Gosford Race Club Limited to achieve the latter's objectives. All inter-company balances and transactions between entities in the economic entity, including any unrealised profits and losses, have been eliminated on consolidation.

i. Revenue Recognition

Sales Revenue

Sales Revenue comprises revenue earned from the services to individuals outside the entity. It is recognised when the fee in respect of services provided is receivable. All revenue is stated net of the amount of Goods and Services Tax (GST).

Interest Income

Interest Income is recognised as it accrues.

Asset Sales

The gross proceeds of asset sales are included as revenue of the company. The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.

Other Revenue

Revenue recognition policy for investments is found in notes attached.

(c) Inventories

Inventories are valued at the lower of cost and net realisable value.

GOSFORD RACE CLUB LIMITED
NOTES TO AND FORMING PART OF THE ACCOUNTS (Continued)

(d) Depreciation and Amortisation

Depreciation on plant, equipment and buildings is calculated on the prime cost basis so as to write off the net cost of each fixed asset over their estimated useful lives.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

- Buildings 2%
- Plant & Equipment 5% - 33%

(e) Uncalled Capital – Members Liability

The amount of capital which is capable of being called up, except in the unlikely event of and for the purpose of the winding up of the company, is not to exceed \$50 per member by virtue of the company's constitution.

(f) Employee Entitlements

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their normal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements. Contributions are made by the company to employee superannuation funds and are charged as expenses when incurred.

(g) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. Recoverable amount is determined as the present value of the amount expected to be recovered through the cash inflows and outflows arising from the continued use and subsequent disposal of the non current asset.

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

(i) Taxation

The company is exempt from taxation under Section 23(g) of the Income Tax Act.

(j) Impairment of Assets

At each reporting date the group reviews the carrying value of tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists the recoverable amount is expensed to the Balance Sheet.

(k) Investments

Other Companies

Investments in other listed and unlisted companies are valued at market value at each balance date. The unrealised gains or losses are included in the Asset Revaluation Reserve before income tax. Realised gains and losses are brought to account in the profit and loss account. Dividends and distributions are brought to account as they are received through the Profit and Loss Account.

GOSFORD RACE CLUB LIMITED
NOTES TO AND FORMING PART OF THE ACCOUNTS (Continued)

Debentures

Investments in debentures are carried at the lower cost and recoverable amount. Interest income is brought to account on an accrual basis.

(l) Debt Defeasance

In all cases where defeasance occurs, it is highly unlikely that the company will again be required to pay any part of the debt or meet any guarantees or indemnities associated with the debt.

(m) Key Management Personnel Compensation

2011	Short-term Benefits	Post Employment Benefits	Total
Total Compensation	\$391,282	\$226,451	\$617,733
2010			
Total Compensation	\$377,165	\$222,837	\$600,002

	2011	2010
	\$	\$
Note 2 – PROPERTY, PLANT AND EQUIPMENT		
Buildings at Cost	9,505,893	9,728,557
Less Accumulated Depreciation	(3,087,714)	(2,990,385)
	<u>6,418,179</u>	<u>6,738,172</u>
Fences at Cost	225,186	225,186
Less Accumulated Depreciation	(179,438)	(171,833)
	<u>45,748</u>	<u>53,353</u>
Furniture & Fittings at Cost	280,006	278,610
Less Accumulated Depreciation	(230,105)	(218,567)
	<u>49,901</u>	<u>60,043</u>
Ground Improvements at Cost	2,673,635	2,673,635
Less Accumulated Depreciation	(720,334)	(651,986)
	<u>1,953,301</u>	<u>2,021,649</u>
Racecourse Gardens	-	268,972
Bowling Club Rezoning	46,440	7,339
Faunce Street	47,311	47,311
	<u>93,751</u>	<u>323,622</u>
Land at – Directors' valuation	<u>2,912,828</u>	<u>5,616,016</u>
	<u>2,912,828</u>	<u>5,616,016</u>
Plant at Cost	2,936,225	2,820,590
Less Accumulated Depreciation	(2,211,373)	(2,031,660)
	<u>724,852</u>	<u>788,930</u>
TOTAL PROPERTY PLANT AND EQUIPMENT	<u><u>12,198,560</u></u>	<u><u>15,601,785</u></u>

GOSFORD RACE CLUB LIMITED
NOTES TO AND FORMING PART OF THE ACCOUNTS (Continued)

	2011	2010
	\$	\$
Note 3 – INVESTMENTS		
Current		
Investments redeemable within 12 months	7,490,046	3,171,329
	7,490,046	3,171,329
Non Current		
Investments redeemable later than 12 months	-	-
	-	-
Note 4 – RECEIVABLES		
Current		
Accounts Receivable	179,007	910,164
	179,007	910,164
Note 5 – INVENTORIES		
Stock on Hand – Bar & Catering	48,031	35,916
Trophies on Hand	773	4,644
	48,804	40,560
Note 6 – PAYABLES		
Current		
Payables	235,604	1,068,910
	235,604	1,068,910
Note 7 – INTEREST BEARING LIABILITIES		
Current		
Bank Loans – secured	-	200,000
Total Current Liabilities	-	200,000

Note 8 – FINANCING ARRANGEMENTS

The company has access to the following lines of credit:

Total facilities available

Bill Facility	-	500,000
Bank Overdraft	-	300,000

Facilities utilised at balance date

Bill Facility	-	200,000
Bank Overdraft	-	157,872

Facilities non utilised at balance date

Bill Facility	-	300,000
Bank Overdraft	-	142,128

All secured by:

- First Mortgage over lots 5,6 & 7 Blacketts Street, West Gosford
- "All Monies" mortgage by Gosford Race Club Ltd over:
Racecourse Road, West Gosford
- Security over term deposit

Interest Rate Risk

The company's exposure to interest rate risk is limited due to the financial instruments entered into with the bank.

GOSFORD RACE CLUB LIMITED
NOTES TO AND FORMING PART OF THE ACCOUNTS (Continued)

Note 9 – PROVISIONS	2011	2010
Current Liabilities	\$	\$
Employee Entitlements - Annual Leave	51,208	53,369
	<u>51,208</u>	<u>53,369</u>
Non Current Liabilities		
Employee Entitlements - Long Service Leave	56,601	58,243
	<u>56,601</u>	<u>58,243</u>

Note 10 – OTHER LIABILITIES

Current Liabilities		
Members' Subscriptions in Advance	15,299	15,040
Accruals	-	118,294
Prepaid Sponsorship	900	6,690
GST Payable	681	2,994
Other	500	-
	<u>17,380</u>	<u>143,018</u>

Note 11 – NOTES TO THE STATEMENT OF CASH FLOWS

1 Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdraft. Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial position as follows:

Westpac Bank	205,222	(160,690)
Cash on Hand	2,340	1,500
	<u>207,562</u>	<u>(159,190)</u>

2 Reconciliation of Net Cash provided by Operating Activities to Operating Profit after Income Tax

Operating (Loss)/Profit after income tax	3,074,682	(729,240)
Depreciation	460,954	480,691
(Gain)/Loss on Investments	(12,819)	(62,783)
Provisions for Employee Entitlements	(3,803)	(55,130)
(Profit)/Loss on disposal of Non Current Assets	(2,947,054)	39,444
Change in Net Assets and Liabilities:		
(Increase)/Decrease in Receivables	731,157	(490,934)
(Increase)/Decrease in Prepayments	(15,336)	-
(Increase)/Decrease in Inventories	(8,244)	(12,112)
Increase/(Decrease) in Payables	(833,306)	839,793
Increase/(Decrease) in Other Liabilities	(125,638)	129,111
	<u>(320,593)</u>	<u>138,840</u>

GOSFORD RACE CLUB LIMITED
NOTES TO AND FORMING PART OF THE ACCOUNTS (Continued)

	2011	2010
	\$	\$
Note 12 – RESERVES		
Asset Revaluation Reserve		
Balance at beginning of the year	(414,497)	(574,415)
Movement for the year	27,732	159,918
Balance at end of the year	(386,765)	(414,497)
 Land Revaluation Reserve		
Balance at beginning of the year	2,629,857	2,629,857
Movement for the year	(1,365,000)	-
Balance at end of the year	1,264,857	2,629,857
 Total Reserves	 878,092	 2,215,360

Note 13 – RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

- Payments for legal expenses valued at \$5,835 were made to Taperell Rutledge Solicitors, of which Mr W Rutledge is a Consultant.
- Purchases of juice supplies valued at \$680 were made to Terrigal Juice, of which Mr R C Delaney is Proprietor.
- Advice Service Fee of \$19,547 was charged by Trenthills Financial Services, of which Mr M Cusick is a director, for managing the investments held by Gosford Race Club Limited.

Note 14 – AUDITOR'S REMUNERATION

Audit Services	16,260	15,850
	16,260	15,850

Note 15 – RETAINED PROFITS

Retained Profits at the beginning of the financial year	15,825,748	16,954,988
Net (Loss)/Profit	3,074,682	(729,240)
Retained Profits at the end of the financial year	18,900,430	15,825,748

Note 16 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Club's principal financial instrument comprises of bank overdraft. The main purpose of this financial instrument is manage working capital requirements and to raise finance for the Club's operations.

The Club has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is the Club's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Club's financial instruments are the interest rate risk and credit risk. The Committee reviews and agrees policies for managing each of these risks and they are summarised below:

GOSFORD RACE CLUB LIMITED
NOTES TO AND FORMING PART OF THE ACCOUNTS (Continued)

Note 16 continued

Interest Rate Risk

The Club's policy is to manage its interest cost using an appropriate mix of fixed and variable debt as determined by the Committee from time to time.

Credit Risk

The Club trades only with recognised, creditworthy third parties.

In addition, receivable balances are monitored on an ongoing basis with the result that the Club's exposure to bad debts is not significant.

Note 17 – SEGMENT REPORTING

The company operates predominantly in one industry. The principal activity of the company is to conduct licensed horse racing in the geographical area of Gosford Racecourse, New South Wales.

	2011 \$	2010 \$
	Core Operations	Economic Entity
REVENUE		
External Sales		
Total segment revenue	10,092,362	10,092,362
Unallocated revenue		345,268
TOTAL REVENUE FROM ORDINARY ACTIVITIES	10,092,362	10,437,630
RESULT		
Segment Result	3,074,682	2,729,414
Unallocated expenses net of unallocated revenue		
Profit from ordinary activities before income tax expense	-	345,268
Income tax expense	-	-
Profit from ordinary activities after income tax expense	3,074,682	3,074,682
NET PROFIT	3,074,682	3,074,682
ASSETS		
Segment assets	12,649,269	12,649,269
Unallocated assets	-	7,490,046
TOTAL ASSETS	12,649,269	20,139,315
LIABILITIES		
Segment Liabilities	360,795	360,795
Unallocated Liabilities	-	-
TOTAL LIABILITIES	360,795	360,795

