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Auditor's independence declaration

Dear Board Members New South Wales Harness Racing Club Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of New South Wales Harness Racing Club Limited.

As lead audit partner for the audit of the financial statements of New South Wales Harness Racing Club Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

**Nathan Balban, Partner, Chartered Accountants,
22nd September 2016.**

Liability limited by a scheme approved under Professional Standards Legislation. Member of Deloitte Touche Tohmatsu Limited.

NOTICE OF MEETING

Notice is hereby given that the 114th Annual General Meeting of the New South Wales Harness Racing Club Limited will be held on Level Two of the Grandstand, Tabcorp Park @ Club Menangle, Racecourse Avenue, Menangle Park on Saturday, 22nd October 2016, commencing at 4.00pm.

AGENDA

- 1 To confirm the Minutes of the previous Annual General Meeting held on Saturday, 24th October 2015.
- 2 To receive the Annual Report and the Club's Financial Report for the year ended 30th June, 2016.
- 3 To transact business that has been brought before the meeting under the Rules of the Club.
- 4 To declare those Members elected to the position of Director.

QUESTIONS

Members who intend to bring forward Questions at the 2016 Annual General Meeting are requested to give notice of same to the undersigned at least forty-eight (48) hours prior to the meeting so that information required can be available at the meeting.

Notices of Motions

The following Notices of Motion have been received:

NOTICE OF RESOLUTIONS FOR ANNUAL GENERAL MEETING

Notice is hereby given that at the Annual General Meeting of NEW SOUTH WALES HARNESS RACING CLUB LIMITED to be held on Saturday 22nd October 2016 commencing at 4.00pm at the premises of the Club, Racecourse Avenue, Menangle Park, New South Wales the members will be asked to consider and if thought fit pass the following resolutions.

To consider and if thought fit to pass the following Resolutions, notice of which has been given in accordance with Article 72 of the Club's Memorandum and Articles of Association.

The Board of Directors move:

FIRST ORDINARY RESOLUTION

That having regard to the Registered Clubs Acts, the Board of Directors move that the Chairman of the Club receive an honorarium in recognition of his services as a member of the Board and Chairman of the Club in the sum of \$2,000 per month (or any remaining part of month during the term of his office) for the 2016/17 term of office.

SECOND ORDINARY RESOLUTION

That for the purposes of the Registered Clubs Act the members hereby approve expenditure by the Club in the sum not exceeding \$70,000, until the Annual General Meeting of the Club in 2017, for the following benefits which are to be made available to Directors of the Club.

The reasonable costs of travel and accommodation for the Chairman and his spouse to attend race meetings and functions which are considered beneficial to the Club by the Board of Directors.

The reasonable costs of food and beverages for Directors and their spouses when attending any of the Metropolitan Race Meetings conducted by the Club at the Club's premises.

The reasonable costs of Directors and their spouses attending Board sanctioned harness racing affiliated and other functions beneficial to the Club.

The reasonable costs of food and beverages for Directors attending Directors' Meetings and other properly constituted committee meetings of the Club.

That Directors have reserved parking at all Metropolitan Race Meetings conducted by the Club.

The members acknowledge that these benefits are not available to members generally but only to those members who are Directors of the Club.

THIRD ORDINARY RESOLUTION

That for the purposes of the Registered Clubs Act the members hereby approve expenditure by the Club in the sum not exceeding \$10,000, until the Annual General Meeting of the Club in 2017, for the following benefits to be made available to certain members of the Club.

(a) The reasonable costs of food for former Chairmen and their spouses and two of their guests when attending any of the non Marquee Metropolitan Race Meetings conducted by the Club.

(b) The reasonable costs of food for former Directors of the Club who served as Directors of the Club for six or more years and their spouses when attending any of the non Marquee Metropolitan Race Meetings conducted by the Club

The members acknowledge that these benefits are not available to members generally but only to those members who have the qualifications referred to in paragraphs (a) and (b) of this Resolution.

NOTES TO MEMBERS

- Under the Registered Clubs Act ("the Act") a member of the Club, whether or not he or she is a member of the Board of Directors or of any committee of the Club is not entitled to derive directly or indirectly any profit, benefit or advantage that is not offered equally to every full member of the Club.
- However, there are exceptions to this in the Act. The most significant of these exceptions are:
 - the payment by the Club of out-of-pocket expenses incurred by Directors in the course of carrying out their duties in relation to the Club and which are approved by a current resolution of the board; and
 - benefits, not in the form of money, which are the subject of a current authorisation, given by general meeting of the members.
- The benefits referred to in the Second Ordinary Resolution, are mostly in the nature of out-of-pocket expenses to be incurred by Directors in the course of carrying out their duties in relation to the Club.
- Notwithstanding that most of the benefits in the Second Ordinary Resolution could be approved simply by way of a Board resolution, a custom and practice has developed in the club industry of having all such benefits approved by way of a resolution of the members at the Annual General Meeting. The Board of the Club is proposing to follow this custom and practice as it provides transparency to the membership.
- The benefits in the Third Ordinary Resolution can only be made available with the approval or authorisation of the members by way of that Resolution being passed at the meeting.

PROCEDURAL MATTERS FOR RESOLUTIONS

- The Gaming Machines Act provides that all Life members and financial Ordinary, Country, Senior, Young and Social members can vote on the Ordinary Resolutions.
- To be passed, each Ordinary Resolution requires votes from a simple majority of those members who being eligible to do so vote on the Ordinary Resolution at the meeting.
- Under the Registered Clubs Act:
 - members who are employees of the Club are not entitled to vote.
 - proxy voting is prohibited.
- The Board recommends that members vote in favour of all resolutions.

Directors' Report

The directors of New South Wales Harness Racing Club Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2016. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the company during or since the end of the financial year are:

R G Sharman

23 years a Director – Chairman 3 years

Deputy Chairman (2007-2013). Executive Director (2001-2007). Licensee of a conveyancing practice in south-west Sydney; Hospital Scientist; Bachelor of Science; Diploma of Law; former delegate to Harness Racing Australia; former Director of Racingcorp Pty Ltd; Director NSWHR Syndications; Representative Harness Industry Consultative Group; Chairman of the Menangle House & Registered Club work group; Chairman of the Finance & Development workgroup.

P F Plummer

10 years a Director – Deputy Chairman

Chairman Harness Racing Clubs Committee; Delegate for Harness Racing Clubs Committee; Former Committee Member NSW Owners Association; former Vice President NSW Breeders Association; Director NSWHR Syndications; Member of the Racing work group; Member of Menangle House & Registered Club work group; Member of the Marketing, Catering, Events & Membership workgroup.

P R Sullivan

8 years a Director – Executive Director

Company Director; Director of Australian Pacing Gold; Member of the Racing work group; Chairman of the Facilities, Track and Infrastructure work group.

M J Brown

3 years a Director

Director of Michael Brown Planning Strategies Pty Ltd; Qualified Mediator (Australian Commercial Disputes Centre); Bachelor of Applied Science (Environmental Planning); Diploma in Local Government Management; Associate Diploma in Town and Country Planning; Delegate for Harness Racing Clubs Committee; Director NSWHR Syndications; Member of the Facilities, Track and Infrastructure work group; Chairman of the Marketing, Catering Events and Membership work group; Member of Menangle House & Registered Club work group.

R J Marshall

3 years a Director

Latin Master at Kambala School; Master of Arts Degree (University of Sydney); Diploma in Education; Senior Partner in 'Roads to Rome' Educational Consultancy; Deputy Chairman of Australia Pacing Gold; Director NSWHR Syndications; Chairman of the Media and Communications work group; Member of the Menangle House & Registered Club workgroup; Member of the Marketing, Catering, Events and Membership work group; Former Chairman of the Inter Dominion Harness Racing Council; Former Member of Harness Racing NSW; Former Member of the Harness Racing Regulatory Authority; Former Executive Director of the NSW Harness Racing Club.

R J Nalder

2 years a Director

Owner/Operator of Independent Portable Buildings; Former Board Member of Harness Racing NSW; Former Committee Member of NSW Harness Breeders Association; Chairman of the Racing work group; Member of the Facilities, Track & Infrastructure work group.

W E Ellis

1 year a Director – Appointed 24 October 2015

Journalist (Consolidated Press 1964-1972; News Limited 1972-2008 including Olympic News Team 2000 and editor harness racing content, Daily Telegraph); Trainer-driver 1969-2007 with A-Grade licences from 1975; Foundation member, NSW Harness Racing Media Guild and President from 1990-2008; Member former Harness Racing Advisory Council 1996; Current advisor to NSW Harness Racing Appeals from 2012; Member of the Marketing, Catering, Events & Membership workgroup; Member of the Media & Communications workgroup; Member of the Racing workgroup.

R A Turner

10 years a Director – Resigned 24 October 2015

Former General Manager (Property and Development) for Liquorland Australia; Former Managing Director of Pelican Resorts, involved in the construction and operation of two award-winning Resorts; former Director of Hahn Brewing Company; former Director and Vice President NSW Harness Racing Club 1994 to 2001; Former Director NSWHR Syndications; Former Chairman of the Finance and Development work group; Former member of Membership and Registered Club work group and former Member of the Marketing, Catering and Events work group.

D D Douglas

12 years a Director – Resigned 24 October 2015

Managing Director of Douglas Box Pty Ltd; Former Deputy Chairman Australian Pacing Gold Ltd; former Vice President of the Penrith District AH & I Society Ltd; Former Chairman of the Membership and Registered Club work group; Former Director NSWHR Syndications.

B H Christison

Chief Executive & Company Secretary

Former Operations Manager (2004-2014) and Financial Controller (1994-2004) – NSW Harness Racing Club; Former Secretary Australian Pacing Gold (2004-2009); Former Assistant Financial Controller Westpac Travel (1991-1994); Director of Racingcorp Pty Ltd; Secretary NSWHR Syndications; Member of the Finance and Development work group, Member of Marketing, Catering and Events work group; Member of Media and Communications work group.

Directors' meetings

The following table sets out the number of full directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director). During the financial year, 16 board meetings were held.

Directors	Meetings Held	Meetings Attended
R G Sharman	16	16
R A Turner	7	7
P F Plummer	16	16
D D Douglas	7	7
P R Sullivan	16	15
M J Brown	16	15
R J Marshall	16	16
R J Nalder	16	15
W E Ellis	9	9

Remuneration of Directors and Senior Management

Information about the remuneration of directors and senior management are set out in the full Financial Report.

Principal activities

The principal activity of the company is to conduct and promote Harness Racing at Tabcorp Park Menangle. During the financial year there were no significant changes in the nature of those activities.

Our vision

To continue our development as the premier harness racing club in Australasia.

Strategic objectives

The strategic objectives of the company are to:

- Market our overall business so that we are recognised as a preferred entertainment and events destination.
- Commercialise non-racing activities so that they form a profitable part of the business and support our racing activities.
- Build Club Menangle as a community destination.
- Grow community "togetherness" so that we are a respected major contributor to community stakeholders.
- Optimise our investments and assets to achieve a profitable return and meet budgetary commitments.

Performance measures

The company measures its performance from both the total income derived and the cost incurred in earning that income. In addition to financial measures a number of non-financial indicators are used. Key performance measures of the company include:

- Prizemoney distributed
- Investment return
- Membership numbers
- Sponsorship income
- Donations made and community projects
- Revenue derived from catering, functions and special events

Review of operations

The net loss for the year amounted to \$1,559,284 (2015: \$4,899,060 profit). The net operating loss includes an amount of \$3,743,680 (2015: \$1,914,089) for depreciation and impairment of non-current assets and a fair value upward movement on investment property of \$1,250,000.

Changes in state of affairs

There were no significant changes in the state of affairs of the company during the financial year other than that referred to in the financial statements or notes thereto.

Subsequent events

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Future developments

Disclosure of information regarding likely developments in the operations of the company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the company. Accordingly, this information has not been disclosed in this report.

Conditions on winding up

In the event of the company being wound up, each member undertakes to contribute an amount not exceeding two dollars (\$2.00) during the time that he or she is a member of the club; or within one year thereafter for the payment of the debts and liabilities of the company contracted before the member ceased to be a member; and costs, charges and expenses of winding up.

Indemnification of officers and auditors

During or since the financial year the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary and all the executive officers of the company and any related body corporate against a liability incurred as such director, secretary or executive officer to the extent permitted by the Corporations Act 2001.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

Auditor's independence declaration

The Auditor's independence declaration is included on page one of this report.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the Corporations Act 2001 this 22nd day of September 2016.

On behalf of the Directors
R G Sharman, Chairman



Chairman's Report

Ray Sharman



The 2015/2016 year has seen further development of the business opportunities arising from our relocation to the Macarthur area. We are now identified as a major entertainment venue and we have seen a steady growth in the function and catering activities of the Club and our involvement with the local community. These have included the caravan and camping show, weddings, birthday parties, the Big Day In relief day for victims of the Picton storms, Beersheba Day Breakfast, Mayoral function, Chamber of Commerce events, Premier's Breakfast and numerous sporting and charity events all of which have complemented our racing activities. The re-zoning of the Menangle precinct should occur shortly and the proposed significant future residential development in the corridor from Campbelltown to Picton with the associated necessary infrastructure will provide our Club with exciting opportunities for growth.

The relocation of the Miracle Mile to the February Group One Carnival and the incorporation of the Chariots of Fire as a qualifying race to provide a path for 4-year olds to contest this great race were very successful. The victory by the New Zealand 4 year old, Have Faith In Me, storming down the outside to just edge out Lenny the Shark in world record time was a truly memorable performance. The Board is committed to continue to develop the status of our Group One carnival and to work with our industry partners to promote a great carnival featuring our flagship race. With the co-operation of HRV in coordinating race dates and conditions, harness racing followers are now able to witness two strong carnivals in both states through January and February, with a progression of feature races for Group One horses starting with the Victoria Cup and Hunter Cup, then our qualifying sprints and culminating in the Miracle Mile, which provides many opportunities for these elite horses.

The Training and Stable complex constructed on our southern property by HRNSW on the land leased to them has been completed and is operating very successfully. The available barns are almost fully occupied and the facilities available to those trainers located there have been well received. The facility is fully operated by HRNSW, and it has provided an important industry initiative. The available horse population on our immediate doorstep has enabled an increase in average field size following the directive by HRNSW to run 12-horse fields at Tabcorp Park Menangle.

In December 2015 we settled the purchase of the Menangle House site (formerly known as the Horse and Jockey Inn). This is a significant property and business acquisition standing on the doorstep to our racetrack. We were required to relinquish the hotel licence associated with the site because of legislative prohibitions flowing from our status as a registered club, but it is the intention of the Board to develop a licensed premises on the property. The necessary application processes with both Campbelltown Council and the Office of Liquor Gaming and Racing have been commenced and we hope to have a club operating by the middle of next year. This is only the first stage of what will be a long term planning and development process which provides further exciting

opportunities to create a major entertainment and services precinct that will be integrated with our racing activities and grow with the local community.

The Board has undertaken two major management activities earlier this year. A Strategic Planning Workshop has been conducted to review the progress of the Club and to re-set management targets and priorities for the next 3 years. We have also completed a re-branding process and have taken the step to re-badge the entity as Club Menangle. The new brand was launched to the members on 3 September 2016. This was not a decision taken lightly, and the Board believes that it is necessary to develop a modern brand that reflects the current and future identity and direction of your Club, and which incorporates its diverse operational activities. The new brand will be relevant to our Club today and provide for expansion into the future, and it will also ensure a clear separation to avoid any further confusion arising from the similarity with the name of our controlling body.

As noted in the Chief Executive Officer's Report the Club has made an operating loss of \$1,559,284 for the year ended 30 June 2016. The major factors in this result were an allowance for impairment following a valuation after the purchase of the Menangle House site and the under-performance of the investment fund. This result, while disappointing, is a reflection of the challenges and opportunities your Club is facing.

The Menangle House site has been acquired as part of a business plan which will return long term benefit to the Club. The investment fund is managed on a very defensive mandate of conservative investment, and this investment area has been under great pressure internationally to maintain returns over the last 12 months.

Following the sale of Harold Park the Club committed to expenditure of approximately \$5.5 million per annum by way of increased prizemoney and industry initiatives, both for Tabcorp Park Menangle and the industry statewide. This provided a much-needed positive stimulus to harness racing participants and was based on the anticipated returns from our investment funds projected at that time.

To date the Board has maintained those commitments under the challenge of returns that have not met expectations, and the decision was made to transfer the investment funds into the UBS Defensive Fund some time ago in an attempt to address this situation. Initially there was a significant improvement in investment return, but over the last 12 months defensive investment structures appear to have reverted to the previous trend.

While it is important not to view these investment performances in small window snapshots, as they are considered long term investment holdings, the Board will continue to adopt a proactive approach to protect your Club's asset base. For this purpose the Board has resolved to conduct a Financial Workshop as soon as possible (as at the time of writing this report) to review the overall financial management and budgets of the Club, including the investment fund.

In a difficult economic environment, the Board is committed to meeting the challenges this presents in order to ensure the protection of the investment fund while we continue to provide a substantial injection of funds into the harness racing industry in addition to the revenue stream from wagering.

The Board is committed to work with HRNSW to promote harness racing in this State and to maintain the Club's status on the national harness racing scene and its role as an industry leader.

I would like to take this opportunity to thank my Board members who have worked tirelessly and provided invaluable assistance and support during the year. In particular I would express my best wishes to Rob Nalder who is not seeking re-election this year. Rob has applied his broad industry knowledge and business experience to make a significant contribution to the Club and the industry during his term on the Board.

I would also thank the management team led by Bruce Christison and all staff members who have worked with dedication and loyalty in the best interests of your Club. I also thank all Members for supporting the Club during the year.

VALE TO MEMBERS

During the year the Club was advised of and recorded the passing of the following Members.

- Mr Brian Hardy
- Mr Peter Houghton
- Mr Noel Denovan
- Mr Joe Cordina
- Mr Robert Martin
- Mr Ronald McDonald
- Mrs Alison Humphries
- Mr Darrell Hughes
- Mr James Tate
- Mr Roy Rousell
- Mr Geoffrey Jones
- Mr Ron Paton

They will be remembered as valued members of the Club and I offer the condolences of the Club to all their families.

AGM MEETING

Finally I encourage all members to attend the AGM and to take the opportunity to have your say in the Club's affairs.

Ray Sharman, Chairman

Chief Executive's Report

Bruce Christison

The operating result for the financial year was a loss of \$1,559,284 compared to a profit of \$4,899,060 in the previous year. As reported in 2015 the profit in that year was significantly impacted by the accounting treatment of the change in the structure of the investment fund. Depreciation and amortisation for the current year totalled \$1,897,831 and an impairment amount of \$1,845,849 was also included.

Trading revenue has been impacted by the move of the Inter Dominion series to Perth. A large portion of this revenue came from the funding contributions made by the Club and HRNSW, which was allocated from the monies held in trust following the successful racefields court action. This funding was a "one off" and was split over the three years of the Sydney Inter Dominion. Together with the marketing support of Destination NSW this funding enabled the successful joint venture bid for the Inter Dominion and unfortunately, without this funding the series is not financially viable.

Trading expenses have also reduced as a result of the Inter Dominion move with significant reductions in racing, marketing and prizemoney expense.

The club continues to lead the way in industry support through the payment of prizemoney. Whilst total prizemoney reduced from \$15.8M to \$15.4M, it must be remembered that the previous year included fully funded Inter Dominion prizemoney of \$850,000. The reduction from the Inter Dominion prizemoney was partially offset by the Club's decision to increase midweek prizemoney to \$8,000 in anticipation of additional funding from tax parity.

The financial result was also impacted by the accounting treatment of the purchase of the Menangle House site. As reported at the Annual General Meeting last year the Club has purchased this site which is in a prime

position to take advantage of State Governments announcement of the Greater Macarthur Land Release.

This plan allows for the construction of 35,000 dwellings from Menangle Park and Mount Gilead through to Wilton. Whilst there is no doubt this site will play a major part in the clubs future from an accounting perspective it must be treated in accordance with its current zoning and trade. The site was being sold as a going concern however as the Registered Clubs Act prevented the acquiring a financial interest in a hotel, the licence was surrendered prior to settlement. The site has been valued based on existing buildings and zoning and an impairment amount of \$1,845,849 has been included. This comprises the write down in value and the purchase costs, with the most significant of these being stamp duty.

The impairment cost has been, in part, offset by the increase in the valuation of the Kirribilli Club Property. In accordance with accounting standards the property has been revalued and this resulted in a positive fair value movement on investment property of \$1,250,000.

The most significant issue in the past financial year is the underperformance of the investment fund. Based on the prizemoney commitments previously made, the Club needs to generate \$5.5M in investment earnings just to break even. This does not include capital growth on the fund. Total investment revenue for the period was only \$4.3M. Based on the accounting treatment of the fund there was also a reduction to the reserve of \$1.6M. The positive working capital generated due to the levels of depreciation has helped to fund the shortfall in the current year however this cannot continue as these funds need to be accumulated for future repairs and replacement of assets.



When Harold Park was sold in 2010, the targeted investment return was 7.2% based on a conservative investment approach. With interest rates at record lows and no expected increases in the foreseeable future it is unlikely this can be achieved consistently with a low risk strategy. It must also be remembered that the returns on these funds are based over a five to ten year period and due to our existing prizemoney commitment we are trying to measure them against a financial year.

The Club meets regularly with the existing Fund Manager UBS however the Board has also met with a number of other fund managers as part of the ongoing review of the investment portfolio. The Club is also conducting a Finance and Investment Workshop. This will review the investment strategy and consider the existing expenditure commitments and the future funding requirements for projects such as the Menangle House site.

The Club continues to grow its reputation as a premier events destination. The Club has long been recognised for outstanding social and corporate race night functions and more recently for major events such as the Caravan and Camping Show. In the last twelve months additional events include The Big Day In (major fundraiser for the Picton storm damage), Chamber of Commerce Events and most recently the Club hosted the Premier's Breakfast. In further recognition of the Clubs Event reputation, Campbelltown City Council has recently approached the Club to be its partner in hosting future events for the Western Sydney Business Connection. The Club continues to work closely with the Council in the promotion of the Campbelltown area as a business destination.

The priority now is to commence trading with a licensed premise on the Menangle House site and to establish a master plan for the future of the site. Whilst concept plans have been drafted this project needs to be completed to ensure the long term and best use of the site is protected.

The link between today and the future is the launch of our new brand Club Menangle. Once again the Members of

this club showed the great level of interest they have in the future with 150 people attending the members brand launch.

As I assured those in attendance the rebrand is about promoting our core business of harness racing by creating an inclusive brand for today and tomorrow which enables the club to capitalise on all business opportunities. This club is in the enviable position of having the ability to grow non wagering revenue. In order to achieve this we need to grow the audiences we appeal to as both a venue and a sport.

The club works closely with the industry and would like to acknowledge the UHRA, Harness Breeders NSW and the NSW Standardbred Owners Association for their consultation and assistance on projects throughout the year.

I would like to acknowledge the work of Harness Racing NSW under the leadership of Graham Kelly and John Dumesny and congratulate them on the success of the Harnessing our Future Conference held in June. On behalf of the Club I would also like to thank Rex Horne and Alex Smith for their contribution to the HRNSW Board over many years.

I would also like to thank the Directors of the Club under the chairmanship of Ray Sharman for their assistance, guidance and dedication to the Club's success. It would be easy for the Club to only think of today however under the direction of this Board the Members should be proud that their Club is just as focused on protecting the future of this Club and the harness racing industry.

Finally I would like to thank the loyal staff for their outstanding contributions during the year. From racing events such as the Sky Carnival of Miracles through to major corporate events like the Premier's Breakfast we continue to receive outstanding feedback in relation to the presentation of the facility, the quality of the catering and the professionalism of the customer service.

Bruce Christison, Chief Executive



Miracle Mile Carnival







Paleface Adios Sprint



J L Raith Memorial



Christmas Gift Final



Breeders Challenge





Len Smith Mile



Indigenous Drivers' Stakes



Concise Financial Report

Statement of Profit or Loss and Other Comprehensive Income for the Financial Year ended 30 June 2016	Year ended 30 June 2016 \$	Year ended 30 June 2015 \$
Revenue	19,971,526	21,770,944
Investment income	4,316,106	10,411,052
Other gains and losses	-	5,661
Fair value movement of investment property	1,250,000	(873,113)
Materials and consumables used	(610,032)	(658,702)
Employee benefits expense	(3,015,634)	(2,881,553)
Depreciation expense	(1,834,138)	(1,850,396)
Amortisation of intangible assets	(63,693)	(63,693)
Prizemoney	(15,398,812)	(15,801,036)
Racing expenses	(1,389,329)	(1,554,606)
Marketing expenses	(570,719)	(1,194,045)
Racecourse maintenance	(793,915)	(755,583)
Administrative expenses	(715,969)	(815,118)
Publication expenses	(724,656)	(736,210)
Impairment of property, plant & equipment	(1,845,849)	-
Other expenses	(134,170)	(104,542)
(Loss)/Profit before income tax expense	(1,559,284)	4,899,060
Income tax expense	-	-
Net (Loss)/Profit	(1,559,284)	4,899,060
Net fair value (loss)/gain on available-for-sale financial assets during the year	(1,613,143)	2,434,278
Reclassification adjustments relating to available-for-sale financial assets disposed of in the year	59,733	(6,905,306)
Other comprehensive (loss)/income for the year	(1,553,410)	(4,471,028)
Total comprehensive (loss)/income for the year	(3,112,694)	428,032

Statement of Changes in Equity for the Financial Year ended 30 June 2016	Investments Revaluation Reserve \$	Retained Earnings \$	Total \$
Balance at 1 July 2014	6,453,519	166,398,976	172,852,495
Profit for the year	-	4,899,060	4,899,060
Net fair value gain on available-for-sale financial assets during the year	2,434,278	-	2,434,278
Reclassification adjustments relating to available-for-sale financial assets disposed of in the year	(6,905,306)	-	(6,905,306)
Total comprehensive income for the year	(4,471,028)	4,899,060	428,032
Balance at 30 June 2015	1,982,491	171,298,036	173,280,527
Loss for the year	-	(1,559,284)	(1,559,284)
Net fair value loss on available-for-sale financial assets during the year	(1,613,143)	-	(1,613,143)
Reclassification adjustments relating to available-for-sale financial assets disposed of in the year	59,733	-	59,733
Total comprehensive loss for the year	(1,553,410)	(1,559,284)	(3,112,694)
Balance at 30 June 2016	429,081	169,738,752	170,167,833

Statement of Financial Position

for the Financial Year ended 30 June 2016

Year ended
30 June 2016
\$

Year ended
30 June 2015
\$

Current assets

Cash and cash equivalents	391,360	373,333
Trade and other receivables	5,130,997	5,032,177
Investments	94,061,805	100,397,719
Inventories	97,252	99,828
Other	34,866	22,523

Total current assets	99,716,280	105,925,580
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Non-current assets

Property, plant and equipment	57,824,269	56,175,685
Investment property	16,750,000	15,500,000
Intangibles	318,465	382,158

Total non-current assets	74,892,734	72,057,843
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Total assets	174,609,014	177,983,423
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Current liabilities

Trade and other payables	3,288,139	3,446,960
Other liabilities	170,000	170,000
Provisions	537,711	492,731

Total current liabilities	3,995,850	4,109,691
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Non-current liabilities

Other liabilities	340,000	510,000
Provisions	105,331	83,205

Total non-current liabilities	445,331	593,205
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Total liabilities	4,441,181	4,702,896
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Net assets	170,167,833	173,280,527
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Equity

Reserves	429,081	1,982,491
Retained earnings	169,738,752	171,298,036

Total equity	170,167,833	173,280,527
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Statement of Cash Flows

for the Financial Year ended 30 June 2016

Year ended
30 June 2016
\$

Year ended
30 June 2015
\$

Cash flows from operating activities

Receipts from customers	21,782,986	23,480,771
Payments to suppliers and employees	(25,393,665)	(27,745,667)
Net cash used in operating activities	(3,610,679)	(4,264,896)

Cash flows from investing activities

Payments for property, plant and equipment	(5,328,571)	(633,690)
Proceeds on sale of property, plant and equipment	-	20,000
Investment income	1,098,610	1,113,300
Investment management fees and taxes	(141,333)	(134,599)
Net payments to acquire investments	-	(4,869,242)
Purchase of Kirribilli property	-	(16,373,113)
Net proceeds from withdrawal of investments	8,000,000	25,298,400
Net cash provided by investing activities	3,628,706	4,421,056

Net increase in cash and cash equivalents	18,027	156,160
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Cash and cash equivalents at the beginning of the financial year	373,333	217,173
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Cash and cash equivalents at the end of the financial year	391,360	373,333
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Discussion and analysis of the Profit or Loss and Other Comprehensive Income

After successfully hosting the Inter Dominion series for three consecutive years, this iconic carnival moved to Perth during the financial year ending 30 June 2016. This had a significant effect on income and expenses over the period. The entity's total revenue (excluding investments and other income) decreased by \$1.8 million compared to the prior year. The majority of this was a direct result of not hosting the Inter Dominion.

Included in the prior year's racing revenue was over \$1.7 million in income relating to the carnival. This included acceptance fees, direct funding from Harness Racing NSW, funding from Destination NSW and Club funding allocated from the settlement of the racefields litigation.

A corresponding decrease in expenses has also resulted from the move of the Inter Dominion. The Inter Dominion final alone resulted in a prizemoney payment of \$750,000 in the prior year. However, with increased prizemoney in other areas total prizemoney expense has only fallen by \$402,000 over the period.

Similarly, Marketing expenses have fallen by \$620,000 as more resources were required to promote the carnival last year.

Another major factor affecting the income stream of the entity has been that derived from the organisation's investing activities. Management is constantly reviewing its investment returns, and the continued trend of falling interest rates over the last two years has instigated some changes in the investment portfolio over that time.

During the previous financial year, the entity aimed to diversify its portfolio to leverage better returns. Investments held in fixed interest securities and equity funds were sold. These were reinvested into a diversified fund with UBS and into the purchase of property occupied by the Kirribilli Club.

The sale of these investments realised a large portion of profits held within the Investment revaluation reserve and contributed to a substantial increase in investment income in the prior year.

Fluctuations in unit prices are reflected in the movement of the investment revaluation reserve (as reflected in the Statement of financial position) and are not released into the profit-and-loss until they are sold.

Over \$6.9 million of investment income recognised in the prior period represented profits realised on the sale of these investments. On the other hand, the release of these profits from the reserves saw an opposite effect on other comprehensive income in the previous year. Given such a major restructuring of investments has not occurred in the current period, income levels have returned to more normal levels. However, stagnant investment markets and the further declines in interest rates has continued to place pressure on investment income over the current period. Also impacting the profit and loss in the prior year was an \$873,113 adjustment associated with the purchase of the Kirribilli property. This represents stamp duty and other purchase costs expensed in accordance with accounting standards. This was a one-off transaction and is not represented in the current year.

Management continued to review its investment options and began investigating the possibility of purchasing the Menangle House property, which was released onto the market during the current financial year. In September 2015 the state government announced The Greater Macarthur Land Release Preliminary Strategy and Action Plan (Preliminary Strategy) which sets out a vision for the corridor from Menangle Park/Mount Gilead through to

Wilton New Town. The plan outlines the Government's strategy to meet Sydney's housing supply needs over the next 20 years and Menangle Park was ear-marked as part of this future growth corridor. The purchase of the Menangle House property positions the club to capitalise on the future growth potential of the area, as well as using the property's prime position to channel patrons onto the existing race-track. The property was finally sold to us with settlement occurring in December 2015. Prior to the sale of the business was operating as a tavern. Regulations restricting Registered Clubs from operating Hotel licences required the vendor to surrender the hotel licence prior to settlement and we are currently in the process of securing a club licence for the premises. The closure of the business impacted on the carrying value of the property as at 30 June 2016. This, in addition to stamp duty and other incidental costs associated with the sale, resulted in a fair value impairment to the property of \$1.8 million.

Discussion and analysis of the Balance Sheet

Total current assets of the entity have fallen by \$6.2 million in the current period as funds were redirected from Investments and into the purchase of the Menangle House property and other areas (for full details refer to the Cash Flow analysis below). Additionally declining financial markets resulted in the unit price of the UBS defensive fund falling. Overall the value of the UBS investment fell by \$1.6 million directly from the drop in the unit price over the financial year.

This revaluation adjustment resulted in a net decline in reserves. On the other hand, a valuation performed by LandMark White on the Kirribilli Club property at 30 June 2016, revalued this investment to \$16.75 million. This contributed \$1.25 million to the increase in non-current assets over this time.

Another contributor to the increase in non-current assets is the movement in property, plant and equipment. Over the year \$5.3 million was used to purchase new assets. The majority of this movement represented the purchase of the Menangle House property. Depreciation and impairment losses incurred on these assets resulted in an overall increase of only \$1.6 million.

Discussion and analysis of the Statement of Cash Flows

As indicated above, the current year operations of the entity were significantly affected by the Inter Dominion being hosted in Perth in the current financial year. As a result receipts from customers fell from \$23.5 million to \$21.8 million, a decrease of \$1.7 million overall. Similarly, payments to suppliers and employees also fell during this period.

Net Cash flows from investing activities fell slightly during the year, with \$4.4 million being contributed in 2015 compared to \$3.6 million in the current financial year. The \$3.6 million is the net result of \$8 million being received from the withdrawn from investments, \$1 million in investment income received less \$5.3 million used to purchase property plant and equipment (including the Menangle House property). In the prior year \$25 million was withdrawn from investments, and \$1.1 million in cash was received from investments income. \$4.8 million was reinvested into investments with UBS over the period, and a large portion was reinvested back into the purchase of the Kirribilli club.

The surplus cash provided by investing activities was used to fund the deficit provided by operating activities, resulting in little movement in the overall cash balance over the year.

Notes to the Financial Statements

1. Summary of Accounting Policies

Basis of preparation

The concise financial report has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 1039 'Concise Financial Reports'. The concise financial report, including the financial statements and specific disclosures included in the concise financial report, has been derived from the full financial report of NSW Harness Racing Club Limited.

All amounts are presented in Australian dollars.

A full description of the accounting policies adopted by the entity is provided in the notes to the financial statements which form part of the full financial report.

The concise financial report was authorised for issue by the Directors on 22 September 2016.

2. Adoption of new and revised accounting standards

The following new and revised Standards and Interpretations have been adopted in the current financial year but have had no effect on the amounts reported in the current year.

- AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective and are not expected to have any material impact on the financial report of the entity.

- AASB 9 'Financial Instruments', and the relevant amending standards
- AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective Date of AASB 15', and AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15'

- AASB 1057 'Application of Australian Accounting Standards' and AASB 2015-9 'Amendments to Australian Accounting Standards – Scope and Application Paragraphs'
- AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'
- AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'
- AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'
- AASB 2015-6 'Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Non-for-Profit Public Sector Entities'
- AASB 2015-7 'Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities'
- AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'
- AASB 2016-4 'Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities'

3. Segment information

The company derives revenue primarily from the sponsorship and development of the Harness Racing Industry. The company's operations are carried out in Australia.

4. Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Other information - unaudited

Core property

Pursuant to Section 41J(2) of the Registered Clubs Act for the financial year ended 30 June 2016:

a) The following properties are core property of the Club;

- i. The defined premises of the Registered Club located at Tabcorp Park Menangle, Racecourse Avenue, Menangle Park, NSW.

b) The following properties are non-core properties:

- i. All other properties owned by the Club and not included in a)i above.

Refer to notes to members below.

Notes to Members

1. Section 41J (2) of the Registered Clubs Act requires the Annual Report to specify the core property and non-core property of the Club as at the end of the financial year to which the report relates.
2. Core property is any real property owned or occupied by the Club that comprises:
 - (a) the defined premises of the Club; or
 - (b) any facility provided by the Club for use of its members and their guests; or

(c) any other property declared by a Resolution passed by a majority of the members present at a general meeting of Ordinary members of the Club to be core property of the Club.

3. Non-core property is any other property other than that referred to above as core property and any property which is declared by the members at a general meeting of ordinary members of the Club not to be core property.
4. The significance of the distinction between core property and non-core property is that the Club cannot dispose of any core property unless:
 - (a) the property has been valued by a registered valuer within the meaning of the Valuers Act 2003; and
 - (b) the disposal has been approved at a general meeting of the Ordinary members of the Club at which the majority of the votes cast support the approval; and
 - (c) any sale is by way of public action or open tender conducted by an independent real estate agent or auctioneer.

These disposal provisions are to some extent modified by regulations made under the Registered Clubs Act which provide for a number of exceptions and by Section 41J itself.

Independent Auditor's Report

to the Members of New South Wales Harness Racing Club Limited

We have audited the accompanying concise financial report of New South Wales Harness Racing Club Limited which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and related notes, derived from the audited financial report of New South Wales Harness Racing Club Limited for the year ended 30 June 2016 and the discussion and analysis as set out on pages 16 to 19. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

Directors' Responsibility for the Concise Financial Report

The directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 Concise Financial Reports and the Corporations Act 2001, and for such internal control as the directors determine are necessary to enable the preparation of the concise financial report.

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our procedures which were conducted in accordance with Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of New South Wales Harness Racing Club Limited for the year ended 30 June 2016. We expressed an unmodified audit opinion on that financial report in our report dated 22 September 2016. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

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

Our procedures included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of audit evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the

financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039 Concise Financial Reports and whether the discussion and analysis complies with the requirements laid down in AASB 1039 Concise Financial Reports.

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, which has been given to the directors of New South Wales Harness Racing Club Limited would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion, the concise financial report, including the discussion and analysis of New South Wales Harness Racing Club Limited for the year ended 30 June 2016 complies with Accounting Standard AASB 1039 Concise Financial Reports.

DELOITTE TOUCHE TOHMATSU

Nathan Balban

Partner

Chartered Accountants

Parramatta, 22 September 2016

Directors' Declaration

The directors declare that

- (a) in the directors' opinion, the attached financial statements and notes thereto comply with Accounting Standard AASB 1039 'Concise Financial Reports'; and
- (b) the attached financial statements and notes thereto have been derived from the full financial report of the company.

Signed in accordance with a Resolution of the Directors.

On behalf of the Directors
R G Sharman, Chairman
Sydney, 22 September 2016

