

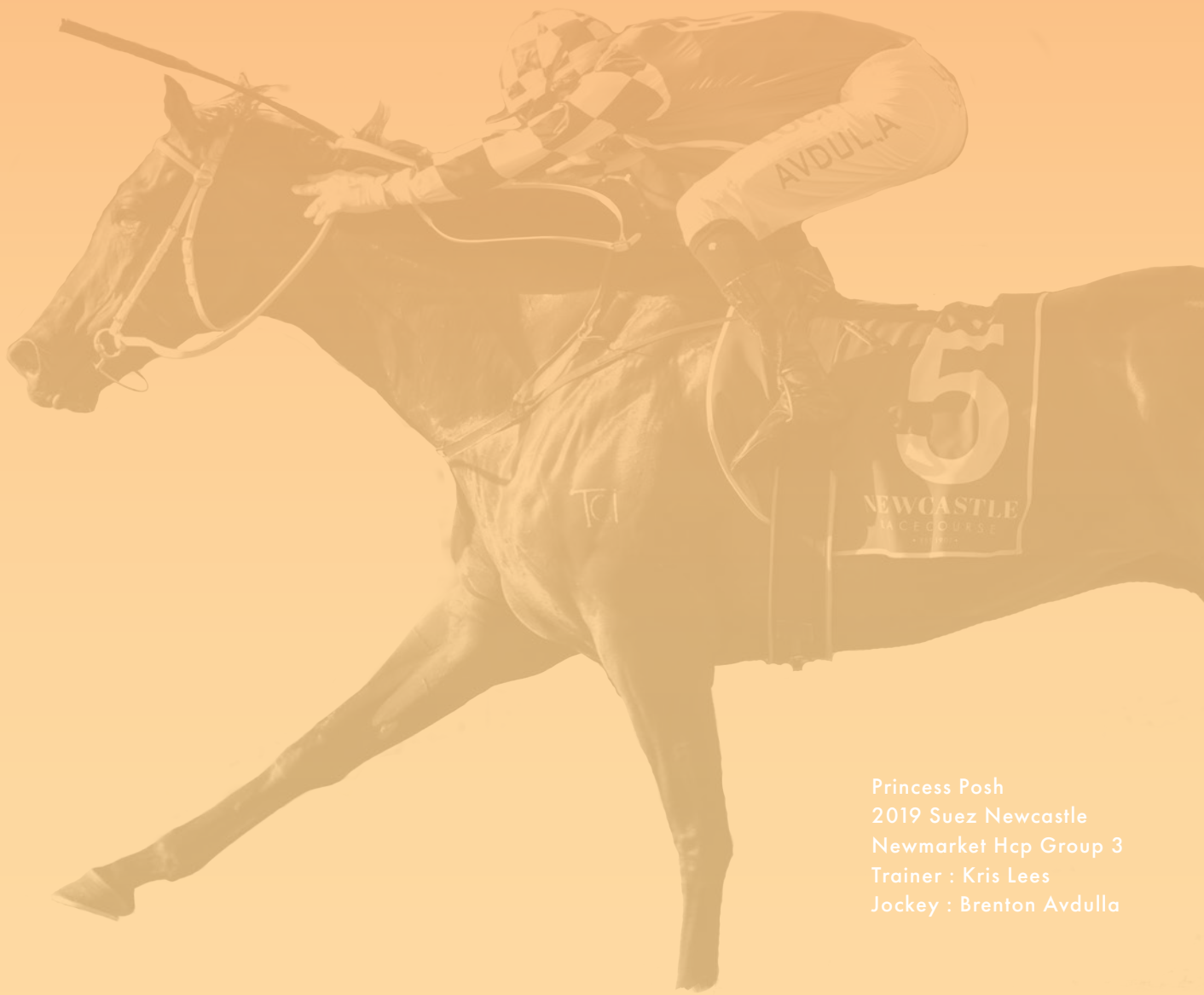


NEWCASTLE JOCKEY CLUB
(A COMPANY LIMITED BY GUARANTEE)
ACN 13 000 002 513

NEWCASTLE
RACECOURSE
• EST 1907 •

NEWCASTLE JOCKEY CLUB

Annual Report
2018 - 2019



Princess Posh
2019 Suez Newcastle
Newmarket Hcp Group 3
Trainer : Kris Lees
Jockey : Brenton Avdulla

Newcastle Jockey Club
thanks the following major Partners
for their contribution and support throughout the year





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CHAIRMAN'S REPORT

Dear NJC Members,

On behalf of the Board of Directors I take much pleasure in reporting the 2018/2019 Newcastle Jockey Club Annual report.

I personally thank the NJC Board for their support and individual contributions during the year, including Brian Judd (Vice Chairman), Paul Leaming (Finance/Risk Committee Chairman), Rob Dan and Richard Sonnichsen.

A special thank you goes to Alex Wheeler and Craig Kimmorley for their enthusiasm and commitment to joining the NJC Board, and for the significant contributions both have made in this their first year. The time sacrifice, commitment, expertise and knowledge each of these Board members has given to your club should be congratulated and commended.

Also, on behalf of the Board I thank all the NJC members that have supported the Club during the year. You will note an increase in membership which highlights the very upward way this club is travelling.

CEO Matt Benson has managed the affairs of our club during the year and you will see by the detail in Matt's report that he has been very busy with many significant issues. The Board is well aware of the challenges in operating such a large facility, and recognises the effort it takes to ensure that all participants are recognised and their individual matters handled professionally.

The 2019 Spring Carnival - which has been so successful - is an indication of just how dedicated and devoted NJC's staff are. The commitment from all departments is quite unique and ensures members and guests can enjoy a great day out at Newcastle Racecourse.

The next challenge for our management and staff will be the hosting of RNSW newest race, The Hunter, a million-dollar event over 1300 metres right here in Newcastle. This is something that I never thought could happen as a standalone Saturday in November right here on our track!

The Newcastle and Hunter Hall of Fame introduced a variety of well known, long term successful racing participants into the fold this year. Contributions made by the following inductees to the racing industry were recognised at the 2019 Newcastle and Hunter Hall of Fame luncheon at Newcastle Racecourse:

CATEGORY

INDUCTEES

| | | |
|------------------|---------------|-----------------------------------|
| TRAINER | KRIS LEES | ROY HINTON |
| JOCKEY | BILL WADE | JOHN WADE |
| ASSOCIATE | DR BILL HOWEY | THE THOMPSON FAMILY (WIDDEN STUD) |
| RACEHORSE | CHOISIR | BEAUFORD |

CHAIRMAN'S REPORT

Financially you will note a loss for the year ending 30th June 2019. This loss is contributed to the downturn of betting via the TAB and this being the NJC's main source of income makes a serious effect on the company's profitability. The finance report included with this document, indicates the income downturn. The Board has now approved a revised budget for financial year 2019/2020 on the advice that increased income may not improve in the coming times.

NJC members, Racehorse Owners, Jockeys, Trainers and Strappers are also to be congratulated in the way they have continued to support our Broadmeadow and Cessnock tracks during the year. There is an exciting and new development in the pipeline for Cessnock Racecourse which has the potential to ensure the long-term viability of the facility and maintain a focus on horse training. I look forward to sharing further details with you as they come to hand.

Again, congratulations to all who make this club what it is, and let us all look forward to enjoying the Newcastle and Cessnock racing and entertainment facilities and a positive outcome for all.

Yours Sincerely,

Geoffrey Barnett



Chairman

AWARD RECIPIENTS FOR THE 2019 NEWCASTLE JOCKEY CLUB RACING AWARDS

| CATEGORY | WINNER(S) | |
|--------------------------|---|-------------------------|
| LEADING TRAINER | KRIS LEES (NEWCASTLE) | KRIS LEES (CESSNOCK) |
| LEADING JOCKEY | ANDREW GIBBONS (NEWCASTLE) | CHAD LEVER (CESSNOCK) |
| LEADING APPRENTICE | ROBBIE DOLAN (NEWCASTLE) | MIKAYLA WEIR (CESSNOCK) |
| BILL WADE MEDAL (JOCKEY) | CHRISTIAN REITH | |
| MAX LEES MEDAL (TRAINER) | JOHN O'SHEA | |
| RISING STAR | SAMANTHA CLENTON | |
| ACHIEVEMENT AWARD | ANDREW GIBBONS, KRIS LEES & AUSTRALIAN BLOODSTOCK | |
| HORSE OF THE YEAR | IN HER TIME | |

RESULTS FOR GROUP 3 FEATURE RACES IN 2019

\$200,000 SHARP ELECTRONICS GROUP NEWCASTLE GOLD CUP FRIDAY SEPTEMBER 20, 2019

| | HORSE | JOCKEY | TRAINER |
|--------|-------------------|-----------------|----------------------------|
| WINNER | HUSH WRITER (JPN) | TIM CLARK | GAI WATERHOUSE/ADRIAN BOTT |
| 2ND | ATTENTION RUN | KERRIN McEVOY | KRIS LEES |
| 3RD | OUR CANDIDATE | BRENTON AVDULLA | KRIS LEES |

\$160,000 AUSTRALIAN BLOODSTOCK CAMERON HANDICAP FRIDAY SEPTEMBER 20, 2019

| | HORSE | JOCKEY | TRAINER |
|--------|--------------|---------------|------------------------------|
| WINNER | ROCK | TOMMY BERRY | MICHAEL, WAYNE & JOHN HAWKES |
| 2ND | ARTICUS (FR) | JASON COLLETT | KRIS LEES |
| 3RD | NETTOYER | GLEN BOSS | WENDY ROCHE |

\$160,000 YARRAMAN PARK TIBBIE STAKES FRIDAY SEPTEMBER 20, 2019

| | HORSE | JOCKEY | TRAINER |
|--------|------------|---------------|---------------|
| WINNER | SWEET DEAL | NASH RAWILLER | JOHN THOMPSON |
| 2ND | NOTATION | TOMMY BERRY | MATTHEW DALE |
| 3RD | CONNEMARA | TIM CLARK | BJORN BAKER |

\$160,000 SUEZ NEWCASTLE NEWMARKET HANDICAP FRIDAY MARCH 8, 2019

| | HORSE | JOCKEY | TRAINER |
|--------|----------------|-----------------|----------------|
| WINNER | PRINCESS POSH | BRENTON AVDULLA | KRIS LEES |
| 2ND | SAVATIANO | BLAKE SHINN | JAMES CUMMINGS |
| 3RD | INVINCIBLE GEM | JASON COLLETT | KRIS LEES |

\$160,000 NEW ZEALAND BLOODSTOCK SPRING STAKES SATURDAY NOVEMBER 16, 2019

| | HORSE | JOCKEY | TRAINER |
|--------|--|--------|---------|
| WINNER | | | |
| 2ND | **RACE TO BE RUN ON 'THE HUNTER' RACE DAY – SATURDAY NOVEMBER 16, 2019** | | |
| 3RD | | | |

CEO REPORT

There is little doubt that there has never been a better time to be involved with racing a horse in NSW than right now. Returns to owners, and also trainers, have increased over 120% in the last five or so years, and our traditional feature races have not only been significantly financially bolstered, but also joined by a stable of new multi-million dollar racing events for all-comers including The Championships in Autumn, The Everest, The Kosciusko and now races like The Golden Eagle, The Hunter and The Gong.

The Newcastle Jockey Club was delighted to learn from Racing NSW in early June that we will be hosting a standalone meeting in November, and also racing's first million-dollar event outside of Sydney in 'The Hunter'. The Club now has the opportunity to work with Racing NSW and local industry stakeholders to ensure that this milestone event becomes an integral, and profitable, part of Australia's heady Spring calendar of racing.

As I pen this report, the dust has just settled on another successful Newcastle Cup Carnival, where both the racing and hospitality outcomes for the club were excellent. We saw all of the Group 3 races won by quality horses on the 'up and up' - which will inevitably bolster the already solid standing of these respected Black-type events. Yet again the Cup eluded the grasp of our local trainers - with Kris Lees frustratingly taking out second, third and fifth placings. It was Rock Mal in 1961 that was the last locally trained horse to salute in our Cup - a race now well established as the nemesis feature event for local participants.

Our functions and events were booked out for both days some three weeks in advance - and the 'turn-up' crowd, whilst I felt somewhat thin on the Friday, was present in all its 'froked-up' finery on Ladies Day where we saw a new record set for our catering and functions turnover.

The 'new' course proper (I'm not sure when we should stop saying 'new') once again delivered in spades after around 70mm of rain fell through the Tuesday and Wednesday immediately prior to our Cup Day. This track's ability to drain and get on with the job is now well known and highly regarded amongst the key participants - with jockey Tommy Berry declaring it was the best track he had ridden on in Australia. These are not 'throw-away' comments handed out willy-nilly! Jockeys take very seriously their public observations about tracks and racing conditions, and to have a hoop the quality of T. Berry make that remark speaks volumes for not only the quality of the surface, but also for the excellent job that Marshall Howarth and the entire track team do in getting the surface right - week in and week out.

I am sure that other clubs look on with green eyes as this surface performs time and time again after heavy rainfall, and almost unfailingly throws up Good 4's and Soft 5's when other tracks around the state (and indeed the country) are squelching under Heavy 8's and 9's - and that's if they race at all. No doubt the punters also appreciate this reality of consistency and fair play at Broadmeadow.

Pleasingly, this growing reputation has now played out in a quantifiable and highly beneficial way for the club, as we saw the average field sizes at Newcastle Racecourse last season increase by 1 from 8.3 runners per race to 9.3. We now lead the Provincial Clubs in this key statistic and will keep working tirelessly to maintain that mantle as it is the Key Performance Indicator for our racing!

Whilst the track is first rate - the club continues to actively plan for the renovation or replacement of allied

racing, training and stabling facilities around our precinct. This must remain an absolute priority given the age and condition of most of our 'improvements'!

We are currently awaiting DA approval for a new set of day-stalls to be constructed by the end of 2020 on the inside of the course proper around the 200m mark of the straight. This is what we see as the pivotal first step in, not only replacing the tired existing facilities, but freeing up the necessary space at the Chatham Road end of our property to construct 400 new stables 'soon' after.

Once these new day-stalls are complete, patrons will enjoy an equine parade before and after each and every race, as runners make their way from the stalls to the mounting yard – and back. I am keen to explore the opportunity to place formal racing memorials along this bridle path which can be secured by individuals (at a price to be determined) and in doing so build a memorial path to, not only add great community context and deeper meaning to this prominent feature, but also give families an all-too-rare chance to celebrate a loved-ones memory, contribution and/or association with our wonderful industry in a pure racing setting. Please get in touch if you would like to register your interest.

The Club continues to work with Racing NSW towards a new future, as a pre-training centre, for Cessnock Racecourse. We were delighted to have our hopes confirmed last April that Cessnock was earmarked for a future industry development with the release of the Racing NSW Strategic Plan.

This has since been reiterated by Racing NSW CEO Peter V'Landys both privately and in the media. This is very exciting news for this underutilised and expansive facility located in the heart of the Hunter Valley. The challenge now is to continue to build a vision for the Hunter region as a whole, which not only includes the proposed developments at Scone and Cessnock, but actively explores other opportunities that will reinforce the area's reputation as the Thoroughbred Capital of Australia. Such a cooperative regional approach is key to maximising the likelihood of such a strategic vision resonating with the policy makers in the Big Smoke. Let's hope we can all pull together in the near future to make it happen.

Whilst there is a plethora of good news in our industry at the present time, it is also necessary to take a prudent and conservative approach to the future. One could be excused for thinking there are rivers of gold in NSW racing given the unprecedented increases in prizemoney and the launch of new multi-million-dollar races in recent times. It is very exciting! But we also must be mindful of the realities of the highly competitive wagering environment that we operate in, and also the changing tastes of the younger generation when it comes to recreational wagering and the growth of sport as a betting medium.

This also challenges us to constantly re-work our strategies aimed at attracting the next generation to attend the races in the future. I would suggest that the industry was handed a veritable free kick in the PR game with the extraordinary feats of the super-mare Winx over the last four years, the likes of which will not be seen again. So, notwithstanding the entrepreneurial innovations so cleverly rolled out like the Championships and the Everest, we must be aware that the tastes, trigger-points and priorities for younger people are now very different – and constantly changing.

One over-arching necessity in our endeavour to engage with a new audience, and a priority that the entire industry must address as a matter of urgency, is patron facilities. There are too many old and old-fashioned facilities that exist in our sport that are, quite simply, a put-off to young patrons. If we do not

CEO REPORT

attend to modernising our offering, it simply doesn't matter what occurs on the track. And, like many other clubs, we have significant challenges in this regard at Newcastle. Despite punching well above our weight in terms of attendance and hospitality turnover and profitability, the club has to find a way to not only improve our equine facilities – but those for our customers as well.

Ask any successful pub or club owner and they will volunteer that if you are not updating the look and feel of your venue at least every five to seven years, there is a good chance you will be left behind. We are also in the entertainment business – so these rules of thumb apply to racing too. The Ascot Bar is a good case in point. The club spent a relatively small amount refurbishing that Bar in August 2016, and we saw an immediate improvement in both attendance and spend per head. We now consistently turn over triple the gross amount in food and beverages at race meetings in this bar than we did prior to the renovation.

Unfortunately, we are limited in what we can do in this regard because of the costs of maintenance and the constant need for 'renewal' of an old and ageing facility. We are in the process of replacing 37-year-old air-conditioners in Chevals and the Mark Murphy Lounge at a cost of around \$110,000 – and that is after replacing aircon units in the Member's Reserve earlier this year for around \$35,000. We will need to spend around \$200,000 in the near future to update old electrical infrastructure supplying the grandstand. So, as you can see, it doesn't take long to reel off some big numbers in the 'must-do department' for one to comprehend the relentless and burgeoning costs of maintaining an old facility.

Given the runaway increases in costs in some areas – with water and insurance expenses alone rising some \$300,000 since 2015, you may be surprised to learn that if one removes racing/prizemoney costs together with the aforementioned water and insurance imposts, we were able to run the club last year for around \$169,000 less than was spent on the balance of identical expense areas in FY 2013. I am pretty sure we would be in a minority of businesses that can claim that statistic.

Whilst we are left with the galling reality that certain pockets of our industry will always believe clubs can be run much more efficiently, the simple reality is that it would be impossible for this organisation to cut any more without severing some arteries and muscle. We are under constant pressure from all sides to provide more and more – with relatively less money and resources – and I believe our staff do a darn good job in these circumstances with the outcome that, as I said before – we punch well above our weight in almost all areas!

So – sincere thanks to the staff for their commitment and enthusiasm – and also to the Directors for their continued support. I wish you all a memorable Spring of racing and a safe festive season ahead.

Matt Benson



CEO

Newcastle Jockey Club Limited

A.C.N. 000 002 513

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Newcastle Jockey Club Limited

A.C.N. 000 002 513

Directors' Report

30 June 2019

The directors present their report on Newcastle Jockey Club Limited for the financial year ended 30 June 2019.

Information on directors

The names of each person who has been a director during the year and to the date of this report are:

| | |
|--------------------|---|
| Geoffrey Barnett | Chairman |
| Experience | Elected to NJC Board in October 1999 Appointed Chairman of NJC in November 2011 Member of NJC Finance and Risk Committee Managing Director and CEO of Minco Tech Australia Pty Limited |
| Brian Judd | Vice Chairman |
| Experience | Appointed to NJC Board in 2016 Elected to NJC Board in 2018 Former CEO of Racing NSW Country, Newcastle Jockey Club and other sporting organisations |
| Paul Leaming | |
| Qualifications | B.Bus, FCPA |
| Experience | Appointed to NJC Board in March 2013 Chairman of NJC Finance and Risk Committee Former CFO for AMP |
| William Moncrieff | |
| Experience | Elected to NJC Board in October 2005 Member of NJC Finance and Risk Committee Managing Director of Steel Fabrication Company Retired from the NJC Board in September 2018 |
| Robert Dan | |
| Qualifications | B.A, Dip. Teach, OAM |
| Experience | Elected to NJC Board in May 2012 Retired Head Teacher of Mathematics |
| Richard Sonnichsen | |
| Experience | Appointed to NJC Board in March 2013 Building and Property Manager of Godolphin |
| Michael Hadaway | |
| Qualifications | Dip. BM |
| Experience | NJC Director 2011-2015 and re-elected in November 2016 Elected in November 2018 Member of NJC Finance and Risk Committee Regional Manager of Security Company Retired from the NJC Board in November 2018 |
| Alexander Wheeler | |
| Qualifications | B.A , LLB |
| Experience | Appointed to NJC Board 27 November 2018 Solicitor and Senior Associate, DWF (Australia) Member of NJC Finance and Risk Committee |

Newcastle Jockey Club Limited

A.C.N. 000 002 513

Directors' Report

30 June 2019

Information on directors

Craig Kimmorley

Qualifications

MBA (UON)

Experience

Elected to NJC Board 27 November 2018

NSW Sales Manager Caltex Australia

Member of NJC Finance and Risk Committee

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. The Company Secretary is Mr Matthew Benson. Mr Benson was appointed to this position on 12 July 2016.

Principal activities

The principal activities of Newcastle Jockey Club Limited during the financial year were:

- the carrying on of the business of a race club at all of its branches; and
- the provision of a racecourse or racecourses at Newcastle (Broadmeadow) and at Cessnock and to provide training facilities for horses.

No significant changes in the nature of the Company's activity occurred during the financial year.

Review and results of operations

The Newcastle Jockey Club has recorded a loss of \$489,634 for 2018/19 compared to a profit of \$710,782 for 2017/18. After accounting for Other Comprehensive Income, the Club recorded Total Comprehensive Income attributable to members of \$1,367,392 compared to \$973,756 for the previous year.

During 2018/19 and 2017/18, the Club recorded a number of transactions that are not considered by the Directors to reflect the underlying performance of the Club's operations. These include:

- The 2018/19 revaluation of two properties previously occupied by racecourse staff in the amount of \$1,549,050, which were transferred to and classified as investment properties for the first time.
- The revaluation decrement for the Club's existing investment properties in the amount of \$180,000 for 2018/19 and \$360,000 revaluation increment for 2017/18.

The Directors therefore consider Total Comprehensive Income before Investment Property Revaluations, and after Transfers to Reserves, to be an appropriate measure of the Club's underlying performance. The Club recorded Total Comprehensive Income before Property Revaluation, and after Transfers to Reserves, for 2018/19 of (\$46,660) compared to \$613,756 for 2017/18.

The Directors highlight the reduction in racing distribution income and increase in prizemoney expenditure as key drivers for the loss recognised in 2018/19. Specifically, the Club's income from the daily product fee, quarterly product fee and wagering incentive fee distributions reduced by \$271,351 (4%) compared to the prior year. These reductions were offset by an increase in additional funding distributions of \$918,656. However, prizemoney expenses increased by \$1,368,572 (14%) compared to the prior year.

Short term objectives

The Company's short term objectives are to provide a modern and appealing facility centred on the sport of Thoroughbred racing for members of the Club, industry stakeholders and visitors.

Long term objectives

The Company's long term objectives are to create a superior, multi-purpose venue that maintains a leadership position for provincial Thoroughbred racing and non-racing events. Maintain a sustainable business model underpinned by qualified vision, sound financial management, industry collaboration and diligent corporate governance.

Newcastle Jockey Club Limited

A.C.N. 000 002 513

Directors' Report 30 June 2019

Comparison Profit & Loss Statement

| | Broadmeadow | | Cessnock | | Total | |
|-----------------------------------|---------------------|---------------------|--------------------|--------------------|---------------------|---------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue & Other Income | | | | | | |
| Advertising & Promotion | 274,903 | 219,912 | 9,417 | 14,840 | 284,320 | 234,752 |
| Race Day Bar | 2,185,614 | 2,080,464 | 73,616 | 97,728 | 2,259,230 | 2,178,192 |
| Race Day Catering | 1,533,112 | 1,408,353 | 32,981 | 42,830 | 1,566,093 | 1,451,183 |
| Racing | 15,159,595 | 14,257,640 | 1,961,846 | 1,757,275 | 17,121,440 | 16,014,915 |
| Track | 807,838 | 857,497 | 86,731 | 101,237 | 894,569 | 958,734 |
| Events | 95,256 | 135,344 | 2,576 | 15,775 | 97,832 | 151,119 |
| General & Administrative | 95,747 | 40,986 | - | - | 95,747 | 40,986 |
| Investment | 542,674 | 513,380 | 1,560 | 1,560 | 544,234 | 514,940 |
| Grant Income | 12,700 | - | - | - | 12,700 | - |
| Gain on disposal of assets | 8,883 | - | - | - | 8,883 | - |
| | 20,716,322 | 19,513,576 | 2,168,726 | 2,031,245 | 22,885,049 | 21,544,821 |
| Cost of Goods Sold | | | | | | |
| Race Day Bar | (730,576) | (637,809) | (22,426) | (28,737) | (753,002) | (666,546) |
| Race Day Catering | (487,012) | (438,619) | (8,346) | (9,544) | (495,358) | (448,163) |
| | (1,217,588) | (1,076,428) | (30,772) | (38,281) | (1,248,360) | (1,114,709) |
| Expenditure | | | | | | |
| Advertising | (145,155) | (141,177) | (4,270) | (5,435) | (149,425) | (146,612) |
| Administration | (369,254) | (351,106) | (3,178) | (7,665) | (372,432) | (358,771) |
| Cleaning | (361,311) | (344,965) | (9,266) | (9,014) | (370,576) | (353,979) |
| Depreciation | (1,171,145) | (1,112,607) | (69,561) | (69,290) | (1,240,706) | (1,181,897) |
| Equipment Hire | (150,486) | (167,321) | (15,964) | (24,201) | (166,449) | (191,522) |
| Insurance | (423,419) | (298,792) | (23,175) | (15,519) | (446,593) | (314,311) |
| Motor Vehicle | (64,195) | (55,890) | (7,479) | (9,200) | (71,674) | (65,090) |
| Promotions | (185,192) | (167,592) | (3,289) | (9,915) | (188,480) | (177,507) |
| Racebook Costs | (81,439) | (77,696) | (11,118) | (8,737) | (92,557) | (86,433) |
| Raceday Expenses | (12,106,367) | (10,831,121) | (1,647,464) | (1,421,433) | (13,753,831) | (12,252,554) |
| Rates | (208,701) | (241,877) | (13,382) | (14,737) | (222,083) | (256,614) |
| Repairs and Maintenance | (254,094) | (258,795) | (60,961) | (29,726) | (315,055) | (288,521) |
| Employment Expenses | (3,685,362) | (3,483,765) | (186,050) | (248,722) | (3,871,412) | (3,732,487) |
| Security | (224,387) | (234,284) | (12,971) | (24,330) | (237,358) | (258,614) |
| Staff Expenses | (49,015) | (47,299) | (434) | (1,305) | (49,449) | (48,604) |
| Utilities | (323,997) | (284,525) | (17,071) | (15,876) | (341,068) | (300,401) |
| Consumables | (52,522) | (59,997) | (186) | (87) | (52,708) | (60,084) |
| Rental | (4,465) | (5,329) | - | - | (4,465) | (5,329) |
| | (19,860,504) | (18,164,138) | (2,085,819) | (1,915,192) | (21,946,323) | (20,079,330) |
| Profit/(Loss) * | (361,769) | 273,010 | 52,136 | 77,772 | (309,634) | 350,782 |

* Before Investment Property Revaluation Increment

Transfers (to)/from Reserves

| | | |
|--|-----------------|----------------|
| Transfer of Capital Asset Depreciation from the Racecourse Redevelopment Reserve | 262,974 | 262,974 |
| Total Comprehensive Income before Investment Property Revaluations ^ | (46,660) | 613,756 |

| | | |
|--|------------------|----------------|
| Revaluation of property transferred to investment property | 1,594,052 | - |
| Investment Property Revaluation Increment/(decrement) | (180,000) | 360,000 |
| Total Comprehensive Income Attributable to Members | 1,367,392 | 973,756 |

^ The Directors consider Total Comprehensive Income before Investment Property Revaluations and after Transfers (to)/from Reserves, to be an appropriate measure of the Club's underlying performance:

| | | |
|---|-----------------|----------------|
| Total Comprehensive Income before Investment Property Revaluation ^ | (46,660) | 613,756 |
| Underlying Performance of the Club | (46,660) | 613,756 |

Newcastle Jockey Club Limited

A.C.N. 000 002 513

Directors' Report

30 June 2019

Strategies

The principal activities assisted the Company in achieving its objectives by:

- Operate as a surplus generating enterprise to create cash reserves for reinvestment into the Club, the Thoroughbred industry and the local community. In doing so, adopt a business culture that seeks return on investment supported by comprehensive due diligence, risk management and stakeholder engagement.
- Strive to be a leading Provincial Race Club at Broadmeadow and a leading Country Race Club at Cessnock complete with an integrated strategic plan, facility upgrade program and self sufficient funding model.
- Promote and support the Thoroughbred racing industry.
- Administer all Club activity in line with contemporary governance practices.

Performance measures and Key performance indicators

The Company measures its own performance through the use of both quantitative and qualitative benchmarks. The benchmarks are used by the Directors to assess the financial sustainability of the Company and whether the Company's short-term and long-term objectives are being achieved. Performance is assessed regularly against previous results, approved budgets and relevant industry benchmarks.

| Key Performance Indicators | 2019 | 2018 | 2017 |
|--|--------|--------|--------|
| Total revenue change (year on year) | 6.1% | -0.6% | 21.7% |
| Total expense change (year on year) | 10.2% | -6.8% | 28.4% |
| Working Capital Ratio | 3.6:1 | 3.1:1 | 2.2:1 |
| Debt to Equity Ratio | 0.04:1 | 0.05:1 | 0.05:1 |
| Total revenue derived from Racecourse operations | 77% | 74% | 77% |
| Food and beverage cost of goods to F&B revenue | 33% | 31% | 40% |
| Gross profit margin: Bar, Broadmeadow | 72% | 69% | 58% |
| Gross profit margin: Bar, Cessnock | 70% | 71% | 65% |
| Gross profit margin: Catering, Broadmeadow | 68% | 69% | 62% |
| Gross profit margin: Catering, Cessnock | 75% | 78% | 66% |

Net Cash provided by Operating Activities was \$115k in 2018/19 compared to Net Cash used in Operating Activities of \$1.42m in 2017/18.

Members' guarantee

Newcastle Jockey Club Limited is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each member and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$ 2 for members.

| Membership Category | Number | Maximum Liability |
|---------------------|--------|-------------------|
| Full Member | 1,315 | \$2,630 |
| Honorary Member | 65 | \$130 |
| Life Member | 3 | \$6 |
| Total | 1,383 | \$2,766 |

Newcastle Jockey Club Limited

A.C.N. 000 002 513

Directors' Report

30 June 2019

Members' guarantee

At 30 June 2019 the collective liability of members was \$ 2,766 (2018: \$ 2,256).

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

Likely developments

There are no likely developments expected to impact the Company in the future.

Directors interests and benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with a director or with a firm of which they are a member, or with a Company in which they have a substantial financial interest other than as disclosed in Note 15.

Meetings of directors

During the financial year, 12 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

| | Directors' Meetings | |
|--------------------|---------------------------|-----------------|
| | Number eligible to attend | Number attended |
| Geoffrey Barnett | 12 | 10 |
| Paul Leaming | 12 | 11 |
| William Moncrieff | 3 | 2 |
| Robert Dan | 12 | 11 |
| Richard Sonnichsen | 12 | 11 |
| Brian Judd | 12 | 12 |
| Michael Hadaway | 6 | 4 |
| Alexander Wheeler | 6 | 5 |
| Craig Kimmorley | 6 | 6 |

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2019 has been received and can be found on page 17 of the financial report.

Signed in accordance with a resolution of the Board of Directors:



Geoffrey Barnett



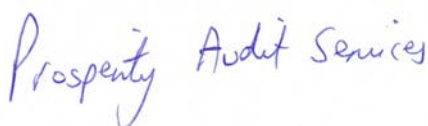
Paul Leaming

Dated 01 October 2019

Newcastle Jockey Club Limited**A.C.N. 000 002 513****Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Newcastle Jockey Club Limited**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019, 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.

**PROSPERITY AUDIT SERVICES****LUKE MALONE**

Partner

Newcastle
01 October 2019

Sydney

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Prosperity Advisers Audit Services Pty Ltd ABN 90 147 151 228
Chartered Accountants - Liability limited by a Scheme approved under the Professional Standards Legislation

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2019

| | Note | 2019 \$ | 2018 \$ |
|--|------|---------------------|--------------|
| Revenue | 4 | 22,319,232 | 21,029,881 |
| Other income | 4 | 565,817 | 874,940 |
| Cost of sales | | (1,248,359) | (1,114,709) |
| Expenses | | | |
| Advertising | | (149,425) | (146,612) |
| Administration | | (372,435) | (358,771) |
| Cleaning | | (370,576) | (353,979) |
| Consumables | | (52,708) | (60,084) |
| Depreciation | | (1,240,706) | (1,181,897) |
| Equipment Hire | | (166,449) | (191,522) |
| Insurance | | (446,593) | (314,311) |
| Motor Vehicle | | (71,674) | (65,090) |
| Promotion | | (188,480) | (177,507) |
| Racebook costs | | (92,557) | (86,433) |
| Raceday expenses | | (13,753,831) | (12,252,554) |
| Rates | | (222,083) | (256,614) |
| Rental | | (4,467) | (5,329) |
| Repairs and maintenance | | (315,055) | (288,521) |
| Employment expenses | | (3,871,412) | (3,732,487) |
| Security expenses | | (237,358) | (258,614) |
| Staff expenses | | (49,449) | (48,604) |
| Utilities | | (341,068) | (300,401) |
| Valuation decrement of investment properties | | (180,000) | - |
| Total expenses | | (22,126,326) | (20,079,330) |
| Income tax expense | | - | - |
| Profit/ (Loss) for the year | | (489,638) | 710,782 |
| Other comprehensive income | | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Revaluation of property transferred to investment property | | 1,594,050 | - |
| Other Comprehensive Income | | 262,974 | 262,974 |
| Total Comprehensive Income attributable to members | | 1,367,386 | 973,756 |

The accompanying notes form part of these financial statements.

Newcastle Jockey Club Limited

A.C.N. 000 002 513

Statement of Financial Position

As At 30 June 2019

| | Note | 2019 \$ | 2018 \$ |
|-------------------------------|------|------------|------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5 | 1,826,838 | 1,854,034 |
| Trade and other receivables | 6 | 2,709,816 | 2,753,740 |
| Inventories | 7 | 152,934 | 165,278 |
| Other assets | | 40,719 | 76,228 |
| TOTAL CURRENT ASSETS | | 4,730,307 | 4,849,280 |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | 6 | 70,086 | - |
| Property, plant and equipment | 8 | 25,604,450 | 26,094,610 |
| Investment property | 9 | 5,980,000 | 4,560,000 |
| Other financial assets | | 6,605 | 6,607 |
| TOTAL NON-CURRENT ASSETS | | 31,661,141 | 30,661,217 |
| TOTAL ASSETS | | 36,391,448 | 35,510,497 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 10 | 838,557 | 1,118,085 |
| Interest-bearing liabilities | 11 | 30,693 | 2,756 |
| Employee benefits | 12 | 437,379 | 469,655 |
| TOTAL CURRENT LIABILITIES | | 1,306,629 | 1,590,496 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing liabilities | 11 | 54,327 | - |
| Employee benefits | 12 | 21,090 | 15,011 |
| TOTAL NON-CURRENT LIABILITIES | | 75,417 | 15,011 |
| TOTAL LIABILITIES | | 1,382,046 | 1,605,507 |
| NET ASSETS | | 35,009,402 | 33,904,990 |
| EQUITY | | | |
| Reserves | 13 | 13,351,245 | 12,020,168 |
| Retained earnings | | 21,658,157 | 21,884,822 |
| TOTAL EQUITY | | 35,009,402 | 33,904,990 |

The accompanying notes form part of these financial statements.

Newcastle Jockey Club Limited

A.C.N. 000 002 513

Statement of Changes in Equity

For the Year Ended 30 June 2019

| | Retained Earnings | Property Revaluation Reserve | Racecourse Redevelopment Reserve | Total |
|--------------------------------|----------------------|------------------------------------|--|-------------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2018 | 21,884,822 | 1,411,977 | 10,608,191 | 33,904,990 |
| Profit/ (Loss) for the year | (489,638) | - | - | (489,638) |
| Other Comprehensive Income | 262,974 | 1,594,050 | (262,974) | 1,594,050 |
| Balance at 30 June 2019 | 21,658,158 | 3,006,027 | 10,345,217 | 35,009,402 |

| | Retained Earnings | Property Revaluation Reserve | Racecourse Redevelopment Reserve | Total |
|--------------------------------|----------------------|------------------------------------|--|-------------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2017 | 20,911,066 | 1,411,977 | 10,871,165 | 33,194,208 |
| Profit/ (Loss) for the year | 710,782 | - | - | 710,782 |
| Other comprehensive income | 262,974 | - | (262,974) | - |
| Balance at 30 June 2018 | 21,884,822 | 1,411,977 | 10,608,191 | 33,904,990 |

The accompanying notes form part of these financial statements.

Newcastle Jockey Club Limited

A.C.N. 000 002 513

Statement of Cash Flows For the Year Ended 30 June 2019

| | 2019 \$ | 2018 \$ |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from customers | 24,585,603 | 23,540,119 |
| Payments to suppliers and employees | (24,454,529) | (22,119,799) |
| Interest received | 17,071 | 19,619 |
| Interest paid | (20,320) | (21,189) |
| Net cash provided by/(used in) operating activities | 127,825 | 1,418,750 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property, plant and equipment | (672,168) | (251,928) |
| Cash receipts from investment property | 527,163 | 495,321 |
| Net cash provided by/(used in) investing activities | (145,005) | 243,393 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayment of borrowings | (10,016) | (281,471) |
| Net cash provided by/(used in) financing activities | (10,016) | (281,471) |
| Net increase/(decrease) in cash and cash equivalents held | (27,196) | 1,380,672 |
| Cash and cash equivalents at beginning of year | 1,854,034 | 473,362 |
| Cash and cash equivalents at end of financial year | 5 1,826,838 | 1,854,034 |

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2019

The financial report covers Newcastle Jockey Club Limited as an individual entity. Newcastle Jockey Club Limited is a not-for-profit Company limited by guarantee, incorporated and domiciled in Australia.

The functional and presentation currency of Newcastle Jockey Club Limited is Australian dollars.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001*.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial report was authorised for issue by the Directors on the date that the Directors' Declaration was signed.

2 Summary of Significant Accounting Policies

(a) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Sale of goods

Sales revenue comprises bar and catering revenue. Sales revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

Grant revenue

The income is recognised when the company obtains control of the contribution or the right to receive the contribution.

Rendering of services

Revenue in relation to rendering of services is recognised upon the delivery of the services. This revenue includes:

- *TAB Distribution*

The TAB / racing industry agreements set out a formula under which distributions to the NSW racing industry, and amongst various stakeholders are made. Those agreements stipulate that each stakeholder will receive an amount determined after the deduction of industry related expenses such as administration costs associated with running NSW racing's regulatory bodies. The Company recognises this income on a net income basis.

- *Sponsorship*

Sponsorship revenue is recognised based on contractual invoice dates adjusted for the timing of sponsor race day requirements and sponsorship activity.

Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies

(a) Revenue and other income

Rendering of services

- *Racing Revenue*

Racing revenue comprises of bookmakers' fees, nominations and acceptances fees. These are recognised on an accrual basis.

- *Membership Subscriptions*

Membership revenue collected in advance and is recognised as revenue in the year in which the membership is held on a straight line basis.

- *Television Rights*

Television rights are recognised on an accruals basis.

- *Property*

Property revenue is the rental income from investment property, it is recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease.

Gain on disposal of non-current assets

When a non-current asset is disposed, the gain or loss is calculated by comparing proceeds received with its carrying amount and is taken to profit or loss.

The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed or the transaction is carried out, whichever is the former.

Other income

Other income is recognised on an accruals basis when the Company is entitled to it.

Interest Income

Interest income is the income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

All income is stated net of the amount of Goods and Services Tax (GST).

(b) Income Tax

The Company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

(c) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and cash at bank.

Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies

(d) Receivables

Accounts receivable and other debtors include amounts due from customers for goods sold in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. Components of cost include the purchase price and, where applicable, any charges in the delivery of inventories.

(f) Property, plant and equipment

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

Freehold Property

Freehold land and buildings are shown at cost less subsequent depreciation (for buildings) and impairment.

Plant and equipment

Plant and equipment are measured using the cost model. Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

| Fixed asset class | Depreciation rate |
|-------------------------|-------------------|
| Land and Buildings | 2% |
| Plant and Equipment | 2% to 4% |
| Motor Vehicles | 15% to 25% |
| Racecourse Improvements | 2% to 20% |

Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies

(f) Property, plant and equipment

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(g) Investment property

Investment property, comprising residential housing and commercial premises, is held to generate long-term rental yields. All tenant leases are on an arm's length basis. Investment property is initially measured at cost and subsequently measured at fair value.

The fair value of an investment property is the amount for which the asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Fair value of investment properties is determined annually based on a valuation by an independent valuer who has recognised and appropriate professional qualifications and recent experience in the location and category of investment property being valued. Fair values are determined by the valuer using market information, including prices for similar properties in comparable locations. Changes to fair values of investment properties are recognised in profit or loss in the period in which they occur.

In accordance with the requirements of Australian Accounting Standard AASB140 Investment Property, when an item of property, plant and equipment is identified as an investment property for the first time, these properties are subject to a market valuation and the revaluation surplus recognised in a revaluation reserve prior to transferring the property from property, plant and equipment to investment properties.

(h) Impairment of assets

At the end of each reporting period the Company determines whether there is an evidence of an impairment indicator for non-financial assets.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

At the end of each reporting period, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised in profit or loss.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an asset's class, the entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

Where an impairment loss on a revalued asset is identified, this is recognised against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of asset.

Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies

(i) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or the sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Classification and subsequent measurement

Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense to profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

Financial assets

Financial assets are subsequently measured at amortised cost as all financial assets are managed solely to collect contractual cash flows and the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position. On derecognition of a financial asset or liability measured at amortised cost, the difference between the carrying amount and the sum of the consideration received/paid and receivable/payable is recognised in profit or loss.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires).

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies

(i) Financial instruments

Impairment

The Company recognises a loss allowance for expected credit losses. Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

Recognition of expected credit losses in financial statements

At each reporting date, the Company recognises the movement in the loss allowance as an impairment gain or loss in the statement of comprehensive income. The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

(j) Accounts payable

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 45 days of recognition of the liability.

(k) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

(l) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Changes in the measurement of the liability are recognised in profit or loss.

(m) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies

(m) Goods and services tax (GST)

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(n) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(o) New accounting standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Company where the standard is relevant:

| Standard Name | Effective date for entity | Requirements | Impact |
|---|------------------------------|--|---|
| AASB15 Revenue from Contracts with Customers | The year ending 30 June 2020 | This standard introduces a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received for that transfer. | Given the nature of the Company's business, the standard is not expected to have a material impact on the Company. |
| AASB 16 Leases | The year ending 30 June 2020 | This standard recognises right-of-use assets and liabilities arising from all leases, with exceptions for low value and short term leases. | The Company has entered into a number of operating leases as both a lessee and lessor and accordingly, the standard is expected to have an impact on the Company by recognising a right-of-use asset and the lease liability in the Statement of Financial Position (lessee). Lessor accounting is expected to remain relatively unchanged. |

3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Notes to the Financial Statements

For the Year Ended 30 June 2019

3 Critical Accounting Estimates and Judgments

Key estimates - impairment of property, plant and equipment

The Company assesses impairment at the end of each reporting period by evaluating conditions specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

The directors have assessed that no impairment of assets exist at 30 June 2019.

4 Revenue and Other Income

Revenue

| | 2019 | 2018 |
|------------------------------|-------------------|-------------------|
| | \$ | \$ |
| - Racing | 17,121,440 | 16,013,824 |
| - Race day bar | 2,259,230 | 2,178,192 |
| - Race day catering | 1,566,093 | 1,451,183 |
| - General and administration | 95,747 | 40,986 |
| - Advertising and promotion | 284,320 | 234,752 |
| - Track | 894,569 | 958,734 |
| - Non race day events | 97,833 | 152,210 |
| | 22,319,232 | 21,029,881 |

Other Income

| | | |
|--|----------------|----------------|
| - Investment property income | 527,163 | 495,321 |
| - Interest and investment distributions received | 17,071 | 19,619 |
| - Valuation increment of investment properties | - | 360,000 |
| - Country racing development fund grant | 12,700 | - |
| - Other Income | 8,882 | - |
| | 565,816 | 874,940 |

5 Cash and Cash Equivalents

| | | |
|---------------|------------------|------------------|
| Cash on hand | 92,560 | 144,974 |
| Bank balances | 1,734,278 | 1,709,060 |
| | 1,826,838 | 1,854,034 |

Notes to the Financial Statements

For the Year Ended 30 June 2019

6 Trade and Other Receivables

| | 2019 \$ | 2018 \$ |
|------------------------------|------------------|------------|
| CURRENT | | |
| Trade receivables | 199,849 | 244,836 |
| Provision for doubtful debts | (10,710) | (14,663) |
| | 189,139 | 230,173 |
| NSW TRB debtor | 2,446,927 | 2,390,497 |
| NSW CRC debtor | 45,929 | 70,845 |
| Other debtors | 1,421 | 62,225 |
| Loans receivable | 26,400 | - |
| | 2,709,816 | 2,753,740 |
| NON-CURRENT | | |
| Loans receivable | 70,086 | - |
| | 70,086 | - |

The company does not have any significant debts considered "past due". Amount are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the company and the counterparty to the transaction.

7 Inventories

| | | |
|-------------------------|----------------|---------|
| CURRENT | | |
| Bar stock - at cost | 135,823 | 145,759 |
| Catering stock- at cost | 17,111 | 19,519 |
| | 152,934 | 165,278 |

Notes to the Financial Statements

For the Year Ended 30 June 2019

8 Property, plant and equipment

| | 2019 \$ | 2018 \$ |
|--|-------------------|-------------------|
| Land and buildings | | |
| At cost | 11,600,782 | 12,389,247 |
| Accumulated depreciation | (1,893,553) | (2,352,715) |
| Total land and buildings | 9,707,229 | 10,036,532 |
| Capital works in progress | | |
| At cost | 128,293 | 101,446 |
| Total capital works in progress | 128,293 | 101,446 |
| Plant and equipment | | |
| At cost | 3,588,307 | 4,174,629 |
| Accumulated depreciation | (2,004,763) | (2,874,139) |
| Total plant and equipment | 1,583,544 | 1,300,490 |
| Motor vehicles | | |
| At cost | 86,950 | 126,658 |
| Accumulated depreciation | (52,782) | (86,333) |
| Total motor vehicles | 34,168 | 40,325 |
| Racecourse | | |
| At cost | 16,464,462 | 17,046,257 |
| Accumulated depreciation | (2,313,246) | (2,430,440) |
| Total Racecourse | 14,151,216 | 14,615,817 |
| Total property, plant and equipment | 25,604,450 | 26,094,610 |

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| | Works in Progress \$ | Land and Buildings \$ | Plant and Equipment \$ | Motor Vehicles \$ | Racecourse \$ | Total \$ |
|---------------------------------------|----------------------------|-----------------------------|------------------------------|-------------------------|-------------------|-------------------|
| Balance at the beginning of year | 101,446 | 10,036,532 | 1,300,490 | 40,325 | 14,615,817 | 26,094,610 |
| Additions | 26,847 | 36,777 | 734,121 | 12,636 | 44,121 | 854,502 |
| Transfer to investment property | - | (5,949) | - | - | - | (5,949) |
| Disposals | - | - | (90,054) | (7,954) | - | (98,008) |
| Depreciation | - | (360,131) | (361,013) | (10,839) | (508,722) | (1,240,705) |
| Balance at the end of the year | 128,293 | 9,707,229 | 1,583,544 | 34,168 | 14,151,216 | 25,604,450 |

Notes to the Financial Statements

For the Year Ended 30 June 2019

8 Property, plant and equipment

(a) Movements in Carrying Amounts

During the year, asset additions of \$92,280 (2018: \$nil) were financed by way of hire purchase agreements as disclosed at Note 11 of these financial statements. The company also entered into an arrangement with a trainer to finance horse walking equipment of \$90,054 over a period of 5 years.

During 2018/19, two properties previously occupied by racecourse staff (and classified as property, plant and equipment) were leased to external tenants on market terms. These properties have been reclassified as investment properties from 2018/19 and, in accordance with the requirements of Australian Accounting Standard AASB140 Investment Properties, these properties were subject to a market valuation for the first time. The revaluation surplus was recognised in a revaluation reserve prior to transferring the property from property, plant and equipment to investment properties. Refer note 9 for further detail.

9 Investment Properties

| | 2019 | 2018 |
|--|------------------|------------------|
| | \$ | \$ |
| Balance at the beginning of the year | 4,560,000 | 4,200,000 |
| Market value adjustment | (180,000) | 360,000 |
| Transfer of Property, plant and equipment to investment property at market value | 1,600,000 | - |
| Balance at end of the period | 5,980,000 | 4,560,000 |

The company's investment properties were revalued at 30 June 2019 by the independent valuers Skelton Valuers. Valuations were made on the basis of market value for residential properties by comparison to recent market evidence and the capitalisation approach for commercial properties. A revaluation decrease of \$180,000 was recognised in both the 2019, driven primarily by the weaker property market for both residential and commercial property.

During the year, two properties (recognised as property, plant and equipment) were reclassified as investment property and leased to external tenants on market terms. In accordance with the requirements of Australian Accounting Standard AASB140 Investment Properties, these properties were subject to a market valuation and the revaluation surplus recognised in a revaluation reserve prior to transferring the property from property, plant and equipment to investment properties. The properties were valued at \$790,000 and \$810,000 by Skelton Valuers.

10 Trade and Other Payables

| | 2019 | 2018 |
|-----------------------------|----------------|------------------|
| | \$ | \$ |
| CURRENT | | |
| Trade payables and accruals | 570,057 | 791,271 |
| Deposits held | 66,559 | 149,222 |
| Income received in advance | 201,941 | 177,592 |
| | 838,557 | 1,118,085 |

Notes to the Financial Statements

For the Year Ended 30 June 2019

11 Interest Bearing Liabilities

| | 2019 \$ | 2018 \$ |
|--|---------------|--------------|
| CURRENT | | |
| Hire purchase liability | 30,693 | 2,756 |
| | 30,693 | 2,756 |
| NON-CURRENT | | |
| Interest bearing liabilities - non-current | 54,327 | - |
| | 54,327 | - |

The Company's loan facility with National Australia Bank for \$1,300,000 expired in 2018/19 and was not renewed (30 June 2018: undrawn). The Company's equipment finance facility with National Australia Bank for \$350,000 expired in 2018/19 and was not renewed (30 June 2018: drawn balance of \$2,766). The hire purchased liabilities were vendor financed race course equipment which attract an interest rate of 0.9% p.a. and repayment period of 3 years.

(a) Hire purchase commitments payable

| | | |
|---|---------------|--------------|
| Not later than one year | 31,332 | 2,777 |
| Later than one year but not later than five | 54,781 | - |
| Minimum hire purchase payments | 86,113 | 2,777 |
| Less: future finance charges | (1,093) | (21) |
| Total hire purchase liability | 85,020 | 2,756 |

(b) Minimum operating lease commitments not recognised on the statement of financial position (excl. GST):

| | | |
|------------------------------------|----------------|----------------|
| Office/IT equipment | 16,107 | 40,031 |
| Point of sale system and equipment | 105,381 | 149,631 |
| | 121,488 | 189,662 |

12 Employee Benefits

| | | |
|-----------------------------------|----------------|----------------|
| CURRENT | | |
| Provisions for long service leave | 234,891 | 217,751 |
| Provision for annual leave | 202,488 | 251,904 |
| | 437,379 | 469,655 |
| NON-CURRENT | | |
| Provisions for long service leave | 21,090 | 15,011 |
| | 21,090 | 15,011 |

Notes to the Financial Statements

For the Year Ended 30 June 2019

12 Employee Benefits

The current portion for employee provisions includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

13 Reserves

(a) Property Revaluation Reserve

The property reserve records revaluations of non-current property, plant and equipment assets..

(b) Racecourse Redevelopment Reserve

The racecourse redevelopment reserve records the amount received from Racing NSW for the racecourse redevelopment project. These amounts are reduced by the depreciation charge for applicable capital assets purchased with the funding each year.

14 Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, and leases. The carrying amounts for each category of financial instruments, measured in accordance with the accounting policies to these financial statements, are as follows:

| | 2019 | 2018 |
|--|------------------|------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash and cash equivalents | 1,826,837 | 1,854,034 |
| Trade and other receivables | 2,683,416 | 2,753,739 |
| Financial assets | 6,605 | 6,608 |
| Trade and other receivables | 70,086 | - |
| Total financial assets | 4,586,944 | 4,614,381 |
| Financial liabilities | | |
| Trade payables and accruals | 570,057 | 791,271 |
| Deposits held | 66,559 | 149,222 |
| Interest bearing liabilities - current | 30,693 | 2,756 |
| Interest bearing liabilities - non-current | 54,327 | - |
| Total financial liabilities | 721,636 | 943,249 |

15 Related Parties

There were no related party transactions during the 2019 financial year (2018: nil).

Notes to the Financial Statements

For the Year Ended 30 June 2019

16 Key Management Personnel Remuneration

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) is considered key management personnel. The totals of remuneration paid to the key management personnel of Newcastle Jockey Club Limited during the year are as follows:

| | 2019 \$ | 2018 \$ |
|-------------------------------------|----------------|----------------|
| Short-term employee benefits | | |
| Salaries, wages and allowances | 452,585 | 503,629 |
| Superannuation | 42,434 | 43,678 |
| | 495,019 | 547,307 |

17 Auditors' Remuneration

| | 2019 \$ | 2018 \$ |
|---|---------------|---------------|
| Remuneration of the auditor for | | |
| - Auditing the financial statements | 29,250 | 28,400 |
| Other services: | | |
| - Tax compilation and advisory services | 12,551 | 13,640 |
| | 41,801 | 42,040 |

18 Capital Commitments

There are no capital commitments at the reporting date.

19 Contingent Assets and Contingent Liabilities

Racecourse Development Project - Contingent Liability

In previous years, funding was provided to the company by way of an interest free, interminable loan from Racing NSW for the purposes of the Racecourse Development project. This loan is only repayable if certain conditions are triggered under the agreement, for example, if the company ceases to operate as a race club. The Directors are of the opinion that the conditions required to be triggered are unlikely to occur in the ordinary course of business and accordingly, no liability for repayment has been made in the financial report at 30 June 2019. The maximum contingent liability at 30 June 2019 in respect of this loan, excluding GST, amounts to approximately \$11.2m.

There were no other contingencies at 30 June 2019.

20 Events after the end of the Reporting Period

No matters or circumstances have arisen since the end of the financial year which 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.

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 18 to 35, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
 - b. give a true and fair view of the financial position as at 30 June 2019 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.



.....
Geoffrey Barnett



.....
Paul Leaming

Dated 01 October 2019

Independent Audit Report to the members of Newcastle Jockey Club Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Newcastle Jockey Club Limited (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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Independent Audit Report to the members of Newcastle Jockey Club Limited

Other Information

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent Audit Report to the members of Newcastle Jockey Club Limited

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

Prosperity Audit Services

PROSPERITY AUDIT SERVICES



LUKE MALONE

Partner

Newcastle
01 October 2019



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