



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

NEWCASTLE
RACECOURSE
• EST 1907 •

NEWCASTLE JOCKEY CLUB

Annual Report
2019 - 2020



Special Reward
2020 SUEZ NEWCASTLE
NEWMARKET HCP Group 3
Trainer : Kris Lees
Jockey : Brenton Avdulla

Newcastle Jockey Club
thanks the following major Sponsors
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 2019/2020 Newcastle Jockey Club Annual report.

The Covid-19 pandemic has had an enormous effect on the NJC and it is a credit to the Management and staff in the way that we have been able to continue as a race course.

The racing industry has been only one of very few sports that has continued to operate from April this year and the decisions and practices put in place by the NJC has allowed the club to continue, albeit in a limited capacity.

The Government JobKeeper policy has played an enormous part in keeping key personnel onboard and assisting our financial situation. From the annual report it is clear that without JobKeeper the NJC would have suffered massive losses in both staff and monies.

I personally thank the NJC Board members for their support and individual contribution during the year, including Brian Judd (Vice Chairman), Darren Turner (Finance & Risk Committee Chairman), Richard Sonnichsen (Project Sub-Committee Chairman), Robert Dan OAM, Alex Wheeler and Craig Kimmorley.

The time sacrifice, commitment, expertise and knowledge each of these Board members have given to your club should be congratulated and commended.

Also, on behalf of the Board I thank all the NJC members for their patience and understanding of the effect that Covid-19 has made to attending race meetings. We trust that the additional six months membership extension is taken in good faith and that you may continue to support the Club in the future.

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 very much aware of the difficulties in operating under a pandemic and the Covid-19 rules and limits that are placed on our facilities.

Financially we have been seriously affected this year as hospitality income is reduced and the report only showing a small loss. I refer you to the Annual Report.

The new bridle path (completed August), the new tie-up stalls (commenced) and the upgrade to the Jockeys facilities have added to the improvements in keeping the NJC a leading and high standard racecourse. Many thanks to Richard Sonnichsen for his input as Project Sub-Committee Chairman.

This recent Spring Carnival during Covid-19, which has been so successful under the circumstances, is an indication of just how dedicated and devoted the NJC staff is. Their commitment to their various departments is quite unique and allows all members and guests to enjoy a great day out at The Newcastle Racecourse.

CHAIRMAN'S REPORT

Racehorse Owners, Jockeys, Trainers and Strappers are also to be congratulated in the way they have handled the Covid-19 pandemic and allowed the NJC to continue to race. Thank you for the continued support towards our Broadmeadow and Cessnock tracks during the year.

The Cessnock Racecourse (Wine Country Race Club) is now in the ownership of Racing NSW and their plan for a pre-training facility will only bolster the thoroughbred industry throughout the Hunter Valley. Funds from this sale will be used for major upgrades to facilities at the NJC.

Congratulations to all that make this club what it is and let us all look forward to enjoying the Newcastle racing and entertainment facilities in true fashion once again after this pandemic passes.

Geoffrey Barnett



Chairman

AWARD RECIPIENTS FOR THE 2020 NEWCASTLE JOCKEY CLUB RACING AWARDS

CATEGORY	WINNER(S)	
HORSE OF THE YEAR	RAHEEN HOUSE	
2YO OF THE YEAR	ZEFTABROOK	
RISING STAR	LOUISE DAY	
LEADING TRAINER	JAMES CUMMINGS (NEWCASTLE)	KRIS LEES (CESSNOCK)
LEADING JOCKEY	ANDREW GIBBONS (NEWCASTLE)	CHRISTIAN REITH (CESSNOCK)
LEADING APPRENTICE	TOM SHERRY (NEWCASTLE)	TOM SHERRY (CESSNOCK)
STRIKE RATE MEDALS	AARON BULLOCK (BILL WADE MEDAL)	FREEDMAN BROTHERS (MAX LEES)

FEATURE RACE WINNERS IN 2020

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

	HORSE	JOCKEY	TRAINER
WINNER	ASIAGO	RACHEL KING	JAMES CUMMINGS
2ND	GAME OF THORNS	BRENTON AVDULLA	KRIS LEES
3RD	DONANDKIM	JAMES INNES JNR	GERALD RYAN

\$1,00,000 PAGES EVENT HIRE THE HUNTER – SATURDAY NOVEMBER 16, 2019

	HORSE	JOCKEY	TRAINER
WINNER	SAVATIANO	JAMES McDONALD	JAMES CUMMINGS
2ND	TACTICAL ADVANTAGE	NASH RAWILLER	KRIS LEES
3RD	BON AMIS	JASON COLLETT	JASON DEAMER

\$160,000 SUEZ NEWCASTLE NEWMARKET HANDICAP – FRIDAY MARCH 6, 2020

	HORSE	JOCKEY	TRAINER
WINNER	SPECIAL REWARD	BRENTON AVDULLA	KRIS LEES
2ND	DELECTATION GIRL	CHRISTIAN REITH	KRIS LEES
3RD	CONDOR	ROBBIE DOLAN	PAUL PERRY

\$200,000 SHARP ELECTRONICS GROUP NEWCASTLE GOLD CUP – FRIDAY SEPTEMBER 18, 2020

	HORSE	JOCKEY	TRAINER
WINNER	MUGATOO (IRE)	KERRIN McEVOY	KRIS LEES
2ND	HUSH WRITER (JPN)	TIM CLARK	GAI WATERHOUSE & ADRIAN BOTT
3RD	ATTENTION RUN (GER)	ANDREW GIBBONS	KRIS LEES

\$160,000 YARRAMAN PARK TIBBIE STAKES – FRIDAY SEPTEMBER 18, 2020

	HORSE	JOCKEY	TRAINER
WINNER	ALL SAINTS' EVE	JAMES McDONALD	JOHN O'SHEA
2ND	YAMAZAKI	TOMMY BERRY	DAVID PFIEFFER
3RD	WANDABAA	BRENTON AVDULLA	KRIS LEES

\$160,000 AUSTRALIAN BLOODSTOCK CAMERON HANDICAP – FRIDAY SEPTEMBER 18, 2020

	HORSE	JOCKEY	TRAINER
WINNER	ROCK	TOMMY BERRY	MICHAEL, WAYNE AND JOHN HAWKES
2ND	JUST THINKIN'	TIM CLARK	GAI WATERHOUSE & ADRIAN BOTT
3RD	CHIEF IRONSIDE	JAMES McDONALD	KRIS LEES

CEO REPORT

It would be impossible to describe just how difficult the last six months have been for so many people and give the magnitude of the current scenario that we are all working through justice. Our industry has been fortunate to race on, so, notwithstanding the significant impact the pandemic has had on the club's 'normal' operations (most noticeably in hospitality and events) we should consider ourselves very lucky to be in an industry that has been left, at the time of writing, relatively unscathed in the scheme of things.

Our industry has done, and is still doing, an exceptionally good job to keep racing - all around Australia.

In that context for the NJC, the stewards at Racing NSW, 'our' jockeys, raceday staff and all the participants, have done an incredible job of complying with constantly changing and very challenging protocols to ensure the health and wellbeing of both individuals and the industry at large. We have seen just how easy it is for a seemingly safe and secure scenario to be turned on its head in very quick time if stakeholders do not do the right thing.

One or two people have asked me whether racing, nationally, took full advantage of its 'one in a hundred year' opportunity to promote itself? To innovate, to aggressively promote and build profile and to engage with a new and, in many cases, younger and eager audience. There was a significant period when racing had no major competition on the sporting airwaves or TV at all.

It would be ideal to see the industry embrace a coordinated national approach at critical times when such unique opportunities present, and a united strategic front is the best strategic scenario, but there appears an absence of an effective national entity that can rally the troops in such circumstances.

Thankfully the club, like many businesses, was thrown a lifeline in the form of Job-Keeper, and that quite simply, was the difference between the NJC keeping its head above water or posting a significant financial loss.

As has been reported in these pages in previous years, the club runs a lean and mean operation, with a focus on ensuring resources are on-hand and accessible when we are busy – and lighten off when things quieten down. Ours is a seasonal activity – and that 'event-based' approach, which can be turned up or down depending on demand, was also pivotal in keeping our fixed-cost structures in check during the inevitable Covid-19 downturn.

We have remained busy and focused at the club over the last few months, in many instances doing things that we would otherwise be unable to undertake due to the constant '24/7' nature of the racing program. Deep 'industrial' cleans of all kitchen and bar areas. Painting. Repairs and maintenance. Irrigation and gardening projects. The 'bottlo' promotion, sale and delivery of bar stock-on-hand. Admin staff re-directed to new activities to assist outside. Selling, preparing, and delivering special race-day hampers. Coordinating fashion-off-the-field competitions. The list goes on.

These initiatives have been embraced by all employees – and I would say that these challenging times have brought the staff team closer together as a group and has seen them really step-up!

The positive and supportive attitude of the entire staff group, and their efforts to face the operational changes and challenges seamlessly have been greatly appreciated by management. For this, I sincerely thank them all.

CEO REPORT

I would also like to thank the sponsors of the club for their patience and understanding during this time. In addition, many of our charitable supporters who would usually host fundraising racedays at the club have been forced to postpone their events, and many have suffered significant downturns in funds raised because of their inability to coordinate any events in support of their cause. We look forward to having them all back as soon as we can.

Thanks also to George Tuntevski and the team from Sharp Electronics for their unwavering support as our major sponsor. One positive coming out of the absence of race-day sponsors has been our ability to regularly 'gift' race-names to our major supporters during this period in lieu of their unwavering support.

On a positive note in the sponsorship area – I was delighted to re-connect with my good friends at New Zealand Bloodstock last year and get them on board to support one of our classic races - The Spring Stakes – which was moved to the Hunter Standalone Day in 2019.

Andrew Seabrook, Mike Kneebone and the whole NZB team are absolute professionals, and it was equally pleasing that my hope of getting a group of Newcastle racing enthusiasts over to the Karaka Sale – the standout yearling sale for ambience and hospitality – also came to fruition in January when Michael Buckley from the NJC hosted a group of ten Novocastrians to the sales.

The club has continued working towards the realisation of some significant strategic objectives, including:

1. The construction of the new bridle path leading from the site of the 'soon to be constructed' day-stalls to the mounting yard - and on to the track crossing. This allows for both the future movement of horses on raceday and to/from trackwork in the mornings.
2. The sale of the Cessnock Racecourse to Racing NSW. At the time of writing the settlement of this transaction is upon us. This is an exciting outcome for local participants and the entire industry given the better utilisation of the Cessnock Racecourse as a pre-training centre in the future. Importantly, this will allow the NJC to direct the funds into new stabling facilities. This outcome was the culmination of some three years of concept building and engagement with Racing NSW, and it has given me great personal satisfaction to see this outstanding result for the club, which hopefully lays the financial foundation for future facility developments.
3. The construction of the new day-stalls, which is due to commence in the next few weeks. This is the important first step in facilitating a new stable development down the track at the Chatham Street end of the precinct. These day-stalls will be completed in the first half of 2021 and will revolutionize not only the experience for patrons and participants alike but provide state-of-the-art facilities for the equine stars of the show on raceday.
4. The renovation of the jockey's rooms. This tired facility needs a total makeover to better accommodate the jockeys in a modern environment and importantly, cater for the increasing number of female jockeys riding at our meetings; and
5. Continuing preparation and planning towards a new stable complex. The club is committed to constructing new stable facilities at Broadmeadow. Not only are the existing stables not worth doing major renovations on, but they are located at the wrong end of the precinct. It will be far

CEO REPORT

better for all stakeholders when the stables are re-located to the Chatham Street end - adjacent to the track crossing.

These strategies are consistent with the club's ultimate aim - to be regarded as the 'second club' in the state, after the ATC. It is only fitting that the second largest city in NSW should boast the most important racing club outside of the metropolitan area, and the proximity to the Hunter Valley and Central Coast as well as our unique and enviable lifestyle only add weight to that argument.

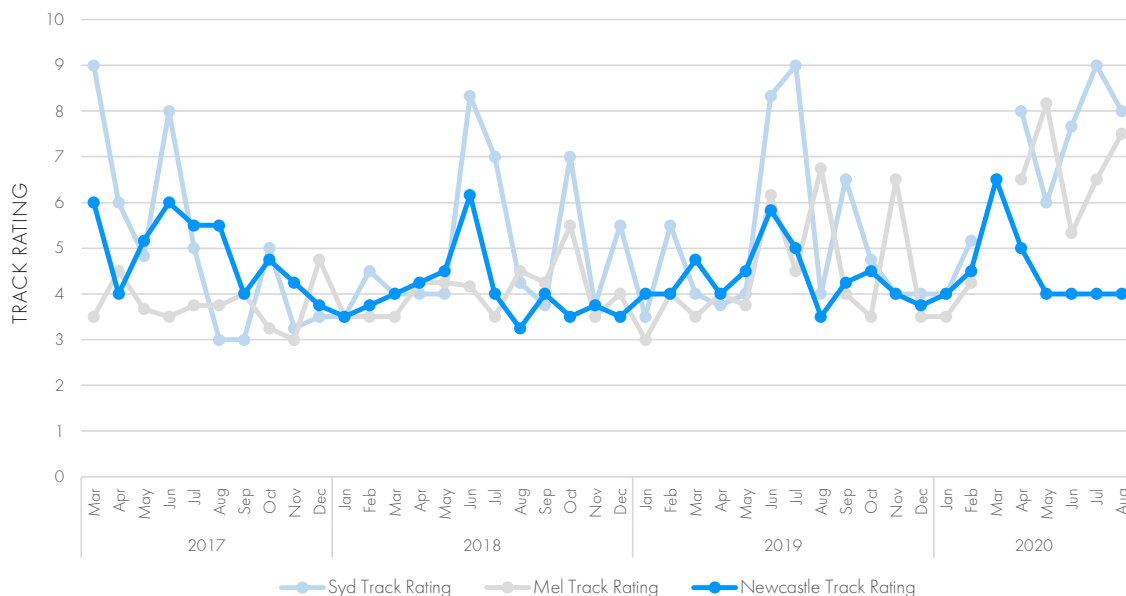
The running of the inaugural Hunter raceday last November was a great success, with a crowd of over 6000 in attendance. Racing NSW, and in particular Peter V'landys, need to be congratulated for bringing together this million-dollar race concept for Newcastle - and also Kembla Grange with their 'Gong'.

Not only did we see a huge crowd on the day, but the racing was spectacular and notably, the meeting was well up in terms of wagering turnover compared to the same day at Rosehill the year prior - as it should be with a \$1M race on the card. It is increasingly apparent that punters generously support the Newcastle racing surface and see it as a fair medium for all runners.

The 'draining' prowess of the track has also come into the limelight in more recent times given the inclement conditions experienced around the state through Autumn and Winter. Thankfully this wet weather brought an end to the crippling drought that had been endured by the majority of NSW for the best part of 5-6 years (in some places longer), but it also created challenges for the industry in getting tracks better than a heavy rating.

There has been much said about the new sand-profile track at Newcastle being consistently the best draining surface in the land. I wanted to look at the numbers rather than the opinions - so we did a track-ratings comparison of Sydney and Melbourne Saturday meetings with Newcastle from the time our track was launched in March 2017, through to 22/8/20. The graph below shows clearly how our track performs in that head to head comparison.....

AVERAGE TRACK RATING COMPARISON



CEO REPORT

It would be remiss of me not to mention the incredible feats of our local participants during the 2019/20 racing season. Kris Lees (193 wins) was the leading trainer in the state for the first time – a truly amazing effort that needs to be put into context – he beat no less than the powerhouse metropolitan stables of Chris Waller (179.5), James Cummings (149 - Godolphin), Peter & Paul Snowden (134), Bjorn Baker (128) and the Gai Waterhouse/Adrian Bott team (116).

If that is not enough for proud Novocastrians – Andrew Gibbons was the leading jockey in the state with 124 wins – beating Blaike McDougall (122.5), Tommy Berry (112) and James McDonald (110.5) for that honour.

Sam Clenton, with 89 wins, was the second ‘winningest’ apprentice in the state (behind Tom Sherry on 95), while Louise Day shrugged off her Provincial silks to have a crack in town and stormed onto the scene with 10 winners in a few short months at the end of the season – including a treble at Randwick on July 29.

The overwhelming conclusion from these stats is that Newcastle bats well and truly above its racing weight in the scheme of things in NSW, which adds further weight to the argument that Newcastle is the #2 racing precinct in NSW!

On a slightly different note, we remain hopeful that our ‘consistent and insistent’ representations to Hunter Water to investigate and hopefully establish water storage mediums in the middle of the course, to galvanize our water security strategies for the future, finally get some traction with the powers that be. These concepts were fist flagged back in March 2017, so it has been a somewhat painful process – but one that will be of huge benefit to the NJC and the community given the potential to combine education and conservation into the plans.

In closing, I would like to acknowledge the genuine contribution of Chairman Geoff Barnett and the NJC Board. I should also make special mention of the work that Director Richard Sonnichsen has put into both the planning and now, the construction of the new bridle path and day stalls.

And finally, to the staff - a huge thanks for your dedication during these trying times.

Let’s hope we are all back enjoying ‘normal’ race meetings here at Broadmeadow in the not too distant future.

Matt Benson



CEO

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

NEWCASTLE JOCKEY CLUB LIMITED
ACN 000 002 513

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 2020

The directors present their report on Newcastle Jockey Club Limited for the financial year ended 30 June 2020.

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 the 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 Chairman of the Racing Sub Committee Member of the Projects Sub Committee Member of the Finance and Risk Committee 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 Former Chairman of Finance and Risk Committee Resigned from the NJC Board in October 2019
Darren Turner	
Qualifications	B. Com FCAANZ MAICD
Experience	Chairman of the Finance and Risk Committee Retired Partner of PWC Appointed to NJC Board in November 2019
Robert Dan	
Qualifications	B.A, Dip. Teach, OAM
Experience	Elected to NJC Board in May 2012 Member of the Racing Sub Committee
Richard Sonnichsen	
Experience	Appointed to NJC Board in March 2013 Chairman of the Projects Sub Committee Building and Property Manager of Godolphin
Alexander Wheeler	
Qualifications	B.A , LLB
Experience	Appointed to NJC Board 27 November 2018 Solicitor and Senior Associate, DWF (Australia) Member of the Projects Sub Committee Member of Finance and Risk Committee

Newcastle Jockey Club Limited

A.C.N. 000 002 513

Directors' Report

30 June 2020

Information on directors

Craig Kimmorley

Qualifications

MBA (UON)

Experience

Elected to NJC Board 27 November 2018

NSW Sales Manager Caltex Australia

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 \$259,907 for 2019/20 compared to a loss of \$489,638 for 2018/19. After accounting for Other Comprehensive Income, the Club recorded Total Comprehensive loss attributable to members of \$3,067 compared to Total Comprehensive income \$1,367,386 for the previous year.

During 2019/20 and 2018/19, 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 \$50,000 for 2019/20 and \$180,000 revaluation decrement for 2018/19.

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 2019/20 of \$46,933 compared to (\$46,660) for 2018/19.

The Directors highlight the reduction in race day bar and catering income, the increase in prizemoney expenditure and the backpay of wages due to previous award interpretations for its hospitality staff as key drivers for the loss recognised in 2019/20. Specifically, the Club's income from race day bar and catering reduced by \$656,924 (17%) compared to the prior year. These reductions were offset by an increase in JobKeeper income of \$928,500. Prizemoney expenses increased by \$901,911 (7%) 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 2020

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	2020	2019	2018
Total revenue change (year on year)	2.64%	6.1%	-0.6%
Total expense change (year on year)	7.59%	10.2%	-6.8%
Working Capital Ratio	2.7:1	3.6:1	3.1:1
Debt to Equity Ratio	0.04:1	0.05:1	0.05:1
Total revenue derived from Racecourse operations	75%	77%	74%
Food and beverage cost of goods to F&B revenue	34%	33%	31%
Gross profit margin: Bar, Broadmeadow	65%	72%	69%
Gross profit margin: Bar, Cessnock	69%	70%	71%
Gross profit margin: Catering, Broadmeadow	70%	68%	69%
Gross profit margin: Catering, Cessnock	64%	75%	78%

Net Cash provided by Operating Activities was \$247k in 2019/20 compared to Net Cash provided by Operating Activities of \$127k in 2018/19.

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	954	\$1,908
Honorary Member	81	\$162
Life Member	3	\$6
Total	1,038	\$2,076

At 30 June 2020 the collective liability of members was \$ 2,076 (2019: \$ 2,766).

Newcastle Jockey Club Limited

A.C.N. 000 002 513

Directors' Report

30 June 2020

Significant changes in state of affairs

On 11 March 2020, the World Health Organization declared a pandemic due to the spread of coronavirus (SARS-CoV-19) across the world. Due to the spread of the coronavirus, global and local economies have been significantly affected, for example due to restrictions in production, trade and consumption or due to travel bans and social distancing requirements.

Due to these effects, the Company was closed to public for 12 race meetings to help control and reduce the spread of virus and accordingly, the Company's operations have been impacted as a result. Some racing activities continued to operate under strict COVID-safe arrangements.

As of the date of this financial report, the Board is unable to determine the future impact of the pandemic on the Company and the financial report. However, the Company has applied for government relief where available through the JobKeeper support program. The Board and management continue to assess the situation on an ongoing basis.

The Board is confident that the Company will be successful in navigating the challenges of the pandemic and accordingly, the Board have prepared the financial report on a going concern basis.

There have been no other 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 16.

Meetings of directors

During the financial year, 13 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	13	13
Paul Leaming	5	5
Darren Turner	8	8
Robert Dan	13	12
Richard Sonnichsen	13	11
Brian Judd	13	12
Alexander Wheeler	13	13
Craig Kimmorley	13	13

Newcastle Jockey Club Limited

A.C.N. 000 002 513

Directors' Report

30 June 2020

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 2020 has been received and can be found on page 6 of the financial report.

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



.....
Geoffrey Barnett



.....
Darren Turner

Dated 17 September 2020

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 2020, 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

PROSPERITY AUDIT SERVICES



ALEX HARDY
Associate Director

Newcastle
17 September 2020

Sydney

Level 11
309 Kent Street
Sydney NSW 2000
PO Box 20726
World Square NSW 2002
T 02 8262 8700

Newcastle

Hunter Mall Chambers
2nd Floor, 175 Scott Street
Newcastle NSW 2300
PO Box 234
Newcastle NSW 2300
T 02 4907 7222

Brisbane

Level 22
333 Ann Street
Brisbane QLD 4000
GPO Box 2246
Brisbane QLD 4001
T 07 3839 1755

W prosperityadvisers.com.au E mail@prosperityadvisers.com.au

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

Newcastle Jockey Club Limited

A.C.N. 000 002 513

Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
Revenue	4	22,909,058	22,319,232
Other income	4	1,712,930	565,816
Cost of sales		(1,075,007)	(1,248,359)
Expenses			
Advertising		(94,236)	(149,425)
Administration		(402,477)	(372,435)
Amortisation		(40,007)	-
Cleaning		(420,515)	(370,576)
Consumables		(42,499)	(52,708)
Depreciation		(1,361,461)	(1,240,706)
Equipment Hire		(153,461)	(166,449)
Insurance		(416,354)	(446,593)
Motor Vehicle		(60,233)	(71,674)
Promotion		(227,640)	(188,480)
Racebook costs		(67,197)	(92,557)
Raceday expenses		(14,655,792)	(13,753,831)
Rates		(220,860)	(222,083)
Rental		(3,824)	(4,465)
Repairs and maintenance		(390,259)	(315,055)
Employment expenses		(4,645,986)	(3,871,412)
Security expenses		(192,536)	(237,358)
Staff expenses		(48,380)	(49,450)
Utilities		(313,171)	(341,068)
Valuation decrement of investment properties		(50,000)	(180,000)
		<u>(23,806,888)</u>	<u>(22,126,325)</u>
Income tax expense		-	-
Profit/(Loss) for the year		<u>(259,907)</u>	<u>(489,638)</u>
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/(Loss) attributable to members		<u>(3,067)</u>	<u>1,367,386</u>

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 2020

	Note	2020 \$	2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	1,857,570	1,826,838
Trade and other receivables	6	3,234,953	2,709,816
Inventories	7	106,050	152,934
Other assets		40,305	40,719
Non-current assets held for sale	21	1,064,012	-
TOTAL CURRENT ASSETS		6,302,890	4,730,307
NON-CURRENT ASSETS			
Trade and other receivables	6	54,427	70,086
Property, plant and equipment	8	24,010,726	25,604,450
Investment property	9	5,930,000	5,980,000
Right of use assets (ROU)	10	100,834	-
Other financial assets		6,605	6,605
TOTAL NON-CURRENT ASSETS		30,102,592	31,661,141
TOTAL ASSETS		36,405,482	36,391,448
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	1,032,338	838,557
Lease liabilities	12	79,102	30,693
Employee benefits	13	442,301	437,379
TOTAL CURRENT LIABILITIES		1,553,741	1,306,629
NON-CURRENT LIABILITIES			
Lease liabilities	12	79,119	54,327
Employee benefits	13	23,127	21,090
TOTAL NON-CURRENT LIABILITIES		102,246	75,417
TOTAL LIABILITIES		1,655,987	1,382,046
NET ASSETS		34,749,495	35,009,402
EQUITY			
Reserves	14	13,088,271	13,351,245
Retained earnings		21,661,224	21,658,157
TOTAL EQUITY		34,749,495	35,009,402

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 2020

	Retained Earnings	Property Revaluation Reserve	Racecourse Redevelopment Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2019	21,658,158	3,006,027	10,345,217	35,009,402
Profit/ (Loss) for the year	(259,907)	-	-	(259,907)
Other Comprehensive Income	262,974	-	(262,974)	-
Balance at 30 June 2020	21,661,225	3,006,027	10,082,243	34,749,495

	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

The accompanying notes form part of these financial statements.

Newcastle Jockey Club Limited

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Statement of Cash Flows For the Year Ended 30 June 2020

	2020	2019
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	33,671,335	24,585,603
Payments to suppliers and employees	(33,449,920)	(24,474,849)
Interest received	30,269	17,071
Finance costs	(7,724)	-
Net cash provided by/(used in) operating activities	<u>243,960</u>	<u>127,825</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of plant and equipment	6,353	-
Purchase of property, plant and equipment	(831,749)	(672,168)
Cash receipts from investment property	679,808	527,163
Net cash provided by/(used in) investing activities	<u>(145,588)</u>	<u>(145,005)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of lease liabilities	(67,640)	(10,016)
Net cash provided by/(used in) financing activities	<u>(67,640)</u>	<u>(10,016)</u>
Net increase/(decrease) in cash and cash equivalents held	30,732	(27,196)
Cash and cash equivalents at beginning of year	1,826,838	1,854,034
Cash and cash equivalents at end of financial year	5 <u>1,857,570</u>	<u>1,826,838</u>

The accompanying notes form part of these financial statements.

Newcastle Jockey Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020

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

In the current year

The Company has applied AASB 15: Revenue from Contracts with Customers and AASB 1058: Income of Not-for-Profit Entities. The comparative information has not been restated and continues to be presented under AASB 118: Revenue and AASB 1004: Contributions. The details of accounting policies under AASB 118 and AASB 1004 are disclosed separately since they are different from those under AASB 15 and AASB 1058, and the impact of those changes is disclosed in Note 2(o).

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

When the Company receives operating grant revenue, it assesses whether the contracts is enforceable and has sufficiently specific performance obligations in accordance to AASB 15.

When both these conditions are satisfied, the Company:

- identifies each performance obligation relating to the grant;
- recognises a contract liability for its obligations under the agreement; and
- recognises revenue as it satisfies its performance obligations.

Newcastle Jockey Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies

(a) Revenue and other income

Grant revenue

Where the contract is not enforceable or does not have sufficiently specific performance obligations, the Company:

- recognises the asset received in accordance with the recognition requirements of other applicable accounting standards (e.g. AASB 9, AASB 16, AASB 116 and AASB 138);
- recognises related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer); and
- recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

If a contract liability is recognised as a related amount above, the Company recognises income in profit or loss when or as it satisfies its obligations under the contract.

Rendering of service

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.

Racing Revenue

Racing revenue comprises of bookmakers' fees, nominations and acceptances fees. These are recognised on an accrual basis based on the performance obligation of holding the race meeting.

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 based on the performance obligation of holding the race meeting.

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies

(a) Revenue and other income

Rendering of service

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.

All revenue is stated net of the amount of goods and services tax.

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.

(d) Leases

Comparative year

For comparative year, 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.

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies

(d) Leases

Comparative year

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.

Current year

At inception of a contract, the Company assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Company has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

Lessee accounting

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

At the lease commencement, the Company recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Company believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Company's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Company's assessment of lease term.

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies

(d) Leases

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(e) 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.

(f) 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.

(g) 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.

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies

(g) Property, plant and equipment

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%

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.

(h) 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.

(i) 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.

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies

(i) Impairment of assets

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.

(j) 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).

Notes to the Financial Statements For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies

(j) Financial instruments

Derecognition

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.

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.

(k) 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.

(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).

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.

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies

(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 and Amended Accounting Policies Adopted by the Company

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for the current reporting period. The following table summarises those requirements, and their impact on the Company where the standard is relevant:

AASB15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities (effective for the year ending 30 June 2020). These standards introduce 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 standards have no material impact on the Company's accounting policy and no adjustment has arisen as a result of adopting the new standards.

The Company has adopted AASB 16 Leases with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with the transitional relief provisions of AASB 16, the comparatives for the 2019 reporting period have not been restated.

The Company has recognised a lease liability and right-of-use asset for all leases previously recognised as operating leases under AASB 117 Leases where the Company is the lessee. The lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments. The right of use assets for the Company's leased equipment was measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability, prepaid and accrued lease payments previously recognised as at 1 July 2019 (that are related to the lease).

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.

Key estimates - impairment of assets

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 2020.

Newcastle Jockey Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020

3 Critical Accounting Estimates and Judgments

Key judgments - AASB15

To identify a performance obligation under AASB 15 Revenue from Contracts with Customers, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgments to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised goods or services. In making this assessment, management includes the nature/type, cost value, quantity and the period of transfer related to the goods or services promised.

4 Revenue and Other Income

Revenue

	2020	2019
	\$	\$
- Racing	19,100,871	17,756,942
- Race day bar and catering	3,168,399	3,825,323
- General and administration	43,898	95,747
- Advertising and promotion	246,402	284,320
- Track	297,478	259,067
- Non race day events	52,010	97,833
	22,909,058	22,319,232

Other Income

- Cashflow boost income	50,000	-
- Investment property income	697,808	527,163
- Interest and investment distributions received	30,269	17,071
- JobKeeper income	928,500	-
- Profit/(Loss) on disposal of assets	6,353	8,882
- Country racing development fund grant	-	12,700
	1,712,930	565,816

5 Cash and Cash Equivalents

Cash on hand	1,976	92,560
Bank balances	1,855,594	1,734,278
	1,857,570	1,826,838

Newcastle Jockey Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020

6 Trade and Other Receivables

	2020	2019
	\$	\$
CURRENT		
Trade receivables	388,525	199,849
Provision for doubtful debts	<u>(8,055)</u>	<u>(10,710)</u>
	380,470	189,139
NSW TRB debtor	2,423,862	2,446,927
NSW CRC debtor	66,659	45,929
Other debtors	3,423	1,421
Loans receivable	17,039	26,400
JobKeeper receivable	<u>343,500</u>	<u>-</u>
	<u>3,234,953</u>	<u>2,709,816</u>
NON-CURRENT		
Loans receivable	<u>54,427</u>	<u>70,086</u>
	<u>54,427</u>	<u>70,086</u>

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	92,652	135,823
Catering stock- at cost	<u>13,398</u>	<u>17,111</u>
	<u>106,050</u>	<u>152,934</u>

Newcastle Jockey Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020

8 Property, plant and equipment

	2020	2019
	\$	\$
Land and buildings		
At cost	10,569,199	12,418,527
Accumulated depreciation	<u>(2,006,432)</u>	<u>(2,711,298)</u>
Total land and buildings	<u>8,562,767</u>	9,707,229
Capital works in progress		
At cost	<u>300,327</u>	128,293
Total capital works in progress	<u>300,327</u>	128,293
Plant and equipment		
At cost	3,900,829	4,818,696
Accumulated depreciation	<u>(2,346,658)</u>	<u>(3,235,152)</u>
Total plant and equipment	<u>1,554,171</u>	1,583,544
Motor vehicles		
At cost	111,908	126,567
Accumulated depreciation	<u>(56,999)</u>	<u>(92,399)</u>
Total motor vehicles	<u>54,909</u>	34,168
Racecourse		
At cost	16,246,698	17,090,379
Accumulated depreciation	<u>(2,708,146)</u>	<u>(2,939,163)</u>
Total Racecourse	<u>13,538,552</u>	14,151,216
Total property, plant and equipment	<u>24,010,726</u>	<u>25,604,450</u>

(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	128,293	9,707,229	1,583,544	34,168	14,151,216	25,604,450
Additions	172,034	82,196	481,884	32,789	62,846	831,749
Transfer to NCAHFS	-	(851,870)	(42,068)	-	(170,074)	(1,064,012)
Depreciation	-	(374,788)	(469,189)	(12,048)	(505,436)	(1,361,461)
Balance at the end of the year	<u>300,327</u>	<u>8,562,767</u>	<u>1,554,171</u>	<u>54,909</u>	<u>13,538,552</u>	<u>24,010,726</u>

Newcastle Jockey Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020

8 Property, plant and equipment

(a) Movements in Carrying Amounts

During the year, the Company conducted a fixed asset stocktake and wrote off a number of fully depreciated assets that were no longer in use. As the assets were fully depreciated, there is no impact on the carrying value of property, plant and equipment.

The transfer of property, plant and equipment to non-current assets held for sale (NCAHFS) relates to the transfer of Cessnock racecourse to Racing NSW in August 2020 as outlined in Note 21.

9 Investment Properties

	2020	2019
	\$	\$
Balance at the beginning of the year	5,980,000	4,560,000
Market value adjustment	(50,000)	(180,000)
Transfer of Property, plant and equipment to investment property at market value	-	1,600,000
Balance at end of the period	5,930,000	5,980,000

The Company's investment properties were revalued at 30 June 2020 by the independent 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 \$50,000 was recognised in current year, driven primarily by market uncertainty for both residential and commercial property in the pandemic impacted economic environment.

In the prior 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 the independent valuers.

10 Right-of-use assets

The Company has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

The Company has two leases over plant and equipment assets. Information relating to the leases in place and associated balances and transactions are provided below.

The two leases for leased equipment are for lease terms of 4 and 5 years respectively, with lease payments fixed during the lease term. The service related component of the lease payments has been estimated and excluded from the balances presented below.

Right of use assets (ROU)	214,823	-
Accumulated amortisation	(113,989)	-
	100,834	-

Newcastle Jockey Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020

11 Trade and Other Payables

	2020	2019
	\$	\$
CURRENT		
Trade payables and accruals	927,092	570,057
Deposits held	38,337	66,559
Income received in advance	66,909	201,941
	1,032,338	838,557

12 Lease Liabilities

CURRENT		
Hire purchase lease	30,971	30,693
Lease liability	48,131	-
	79,102	30,693
NON-CURRENT		
Hire purchase lease	23,356	54,327
Lease liability	55,763	-
Equipment lease	79,119	54,327

The hire purchase liabilities were vendor financed race course equipment which attract an interest rate of 0.9% p.a. and repayment period of 3 years. The corresponding assets are recognised in property, plant and equipment.

(a) Hire purchase commitments payable

Not later than one year	31,018	31,332
Later than one year but not later than five	23,929	54,781
Minimum hire purchase payments	54,947	86,113
Less: future finance charges	(620)	(1,093)
Total hire purchase liability	54,327	85,020

(b) Minimum operating lease commitments are as follows (excl. GST):

Office/IT equipment	35,910	16,107
Point of sale system and equipment	66,990	105,381
	102,900	121,488

Any differences between the minimum commitments above and the lease liabilities recorded on the statement of financial position arise due to the discount factor and estimated service component considered in calculating the lease liability which is excluded from the minimum commitments.

Newcastle Jockey Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020

13 Employee Benefits

	2020	2019
	\$	\$
CURRENT		
Provisions for long service leave	211,230	234,891
Provision for annual leave	231,071	202,488
	<u>442,301</u>	<u>437,379</u>
NON-CURRENT		
Provisions for long service leave	23,127	21,090
	<u>23,127</u>	<u>21,090</u>

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.

14 Reserves

(a) Property Revaluation Reserve

The property reserve records revaluations of non-current property, plant and equipment assets that have been transferred to investment property.

(b) Racecourse Redevelopment Reserve

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

15 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:

	2020	2019
	\$	\$
Financial assets		
Cash and cash equivalents	1,857,570	1,826,838
Trade and other receivables (Current)	3,234,953	2,683,416
Trade and other receivables (Non-current)	54,427	70,086
Financial assets	<u>6,605</u>	<u>6,605</u>
Total financial assets	<u>5,153,555</u>	<u>4,586,945</u>

Newcastle Jockey Club Limited

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Notes to the Financial Statements For the Year Ended 30 June 2020

15 Financial Risk Management

	2020	2019
	\$	\$
Financial liabilities		
Deposits held	38,337	66,559
Hire purchase lease	30,971	30,693
Hire purchase lease	23,356	54,327
Trade payables and accruals	927,092	570,057
Total financial liabilities	1,019,756	721,636

16 Related Parties

There were no related party transactions during the 2020 financial year (2019: nil).

17 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:

	2020	2019
	\$	\$
Short-term employee benefits		
Salaries, wages and allowances	502,065	452,585
Superannuation	45,529	42,434
	547,594	495,019

18 Auditors' Remuneration

Remuneration of the auditor for		
- Auditing the financial statements	29,850	29,250
Other services:		
- Tax compilation and advisory services	3,889	12,551
	33,739	41,801

19 Capital Commitments

There are no capital commitments at the reporting date.

Newcastle Jockey Club Limited

A.C.N. 000 002 513

Notes to the Financial Statements

For the Year Ended 30 June 2020

20 Contingent Assets and Contingent Liabilities

Racecourse Development Project

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 2020. The maximum contingent liability at 30 June 2020 in respect of this loan, excluding GST, amounts to approximately \$11.2m.

Supplier Dispute

A dispute has arisen over an amount receivable by the company from a supplier. The supplier has made a counter claim for a similar amount. The company is currently defending its commercial interests and, as the matter is ongoing, the outcomes of the proceedings are unknown. The directors are of the view that no material losses will arise in respect of the legal claim at the date of these financial statements and accordingly no such provision for these circumstances have been recorded.

Outcomes from test case ruling on jockey superannuation payments

Superannuation is currently paid to jockeys at the statutory rate through each race club's account administered by Racing NSW. The superannuation expense is paid by Racing NSW and recorded in each club's statement of profit or loss via the administered account. The outcomes from a recent test case ruling on whom is liable for superannuation payments for jockeys found that the responsibility rests with the race clubs. The outcomes of the test case are currently being reviewed by the industry and accordingly, no transactions have been recorded in the preparation of these statements.

There were no other contingencies at 30 June 2020.

21 Events after the end of the Reporting Period

On 25 August 2020, the Company completed the transfer of the Cessnock racecourse to Racing NSW for \$3.5 million. Under the arrangements, Cessnock race meetings, about eight per year, will be held on the Beaumont track at Newcastle racecourse. As the race day operations of the Cessnock racecourse will continue to be managed by the Company, no disclosure for discontinued operations have been considered in these financial statements. However, the Company was committed to the transfer prior to 30 June 2020 and the land, buildings, racecourse and plant have been presented as non-current assets held for sale. The non-current assets held for sale have been recorded at their carrying value of \$1,064,012 i.e. cost less accumulated depreciation.

Racing NSW is developing the Cessnock racecourse into a pre-training facility. The Company has earmarked the funds received for capital development projects.

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.

Notes to the Financial Statements

For the Year Ended 30 June 2020

22 Coronavirus Pandemic

On 11 March 2020, the World Health Organization declared a pandemic due to the spread of coronavirus (SARS-CoV-19) across the world. Due to the spread of the coronavirus, global and local economies have been significantly affected, for example due to restrictions in production, trade and consumption or due to travel bans and social distancing requirements.

Due to these effects, the Company was closed to public for 12 race meetings to help control and reduce the spread of virus and accordingly, the Company's operations have been impacted as a result. Some racing activities continued to operate under strict COVID-safe arrangements.

As of the date of this financial report, the Board is unable to determine the future impact of the pandemic on the Company and the financial report. However, the Company has applied for government relief where available through the JobKeeper support program. The Board and management continue to assess the situation on an ongoing basis.

The Board is confident that the Company will be successful in navigating the challenges of the pandemic and accordingly, the Board have prepared the financial report on a going concern basis.

Newcastle Jockey Club Limited

A.C.N. 000 002 513

Directors' Declaration

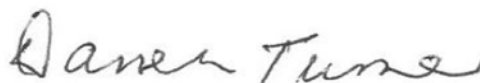
The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 28, 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 2020 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



.....
Darren Turner

Dated 17 September 2020

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 2020, 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 2020 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.

Sydney

Level 11
309 Kent Street
Sydney NSW 2000
PO Box 20726
World Square NSW 2002
T 02 8262 8700

Newcastle

Hunter Mall Chambers
2nd Floor, 175 Scott Street
Newcastle NSW 2300
PO Box 234
Newcastle NSW 2300
T 02 4907 7222

Brisbane

Level 22
333 Ann Street
Brisbane QLD 4000
GPO Box 2246
Brisbane QLD 4001
T 07 3839 1755

W prosperityadvisers.com.au E mail@prosperityadvisers.com.au

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

Independent Audit Report to the members of Newcastle Jockey Club Limited

Emphasis of Matter - Coronavirus Pandemic

We draw attention to Note 22 of the financial report, which describes the directors' assessment of the coronavirus (SARS-CoV-19) pandemic. At the time of this report, the coronavirus pandemic continues to spread and have a significant economic effect on global and local economies, for example due to restrictions in production, trade and consumption or due to travel bans and social distancing. The future impact on the Company is unable to be predicted at this time due to the evolving nature of the pandemic. Our opinion is not modified in respect of this matter.

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 2020, 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.

Independent Audit Report to the members of Newcastle Jockey Club Limited

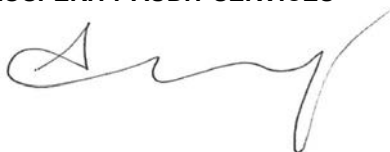
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- 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.
- 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.

Prosperity Audit Services

PROSPERITY AUDIT SERVICES



ALEX HARDY
Associate Director

Newcastle
18 September 2020



NEWCASTLE JOCKEY CLUB

DARLING STREET, BROADMEADOW

PO BOX 30, BROADMEADOW NSW 2292

(02) 4961 1573 | NEWCASTLERACECOURSE.COM.AU