

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Financial Statements

For the Year Ended 31 January 2020

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Contents

For the Year Ended 31 January 2020

	Page
Financial Statements	
Directors' Report	1
Auditors Independence Declaration under Section 307C of the Corporations Act 2001	4
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Directors' Declaration	22

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Directors' Report

31 January 2020

Your directors present their report on Macksville District Ex-Servicemen's Club Ltd for the financial year ended 31 January 2020.

Directors

The names of the directors in office at any time during, or since the end of the financial year are:

Names	Qualifications/ Experience	Appointed/Resigned
Robert J. Laird	Retired, Chairman, Previous Vice Chairman & Director	Full Period
Kenneth W. Walker	Retired, Vice Chairman & Previous Director	Full Period
Trevor Ledger	Business Owner, Current & Previous Director	Full Period
Ian Flarrey	Business Owner, Current & Previous Director	Full Period
Neville Dykes	Business Owner, Current & Previous Director	Full Period
Petah Russell	Manager, Current & Previous Director	Resigned 25/02/2019; Appointed 02/12/2019
Jason Borthwick	Food Sales Representative, Current & Previous Director	Resigned 02/09/2019
Helen Reibel	RSL Sub Branch VP, Director	Appointed 25/03/2019

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

The principal activities of Macksville District Ex-Servicemen's Club Ltd during the financial year were the conduct of a Registered Licensed Club.

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

The objectives of the club are to operate in a responsible and financially sensible manner with the aim to continue to provide all our members and our local community with a venue to meet their needs. The Macksville Ex-Services Club continues to support the Macksville RSL Sub Branch in their work with serving and ex-service men and women and their families.

Short term objectives

The Company's short-term objectives are to:

- Provide a place of enjoyment for all members by continuing the standard of entertainment now provided.
- Continue to offer members the promotions currently introduced and to welcome new members to our Club.
- Support local individuals and groups – educational, sporting & community.

Long term objectives

The Company's long-term objectives are to:

- Continue to provide an up to date club with facilities to meet members' needs.
- Maintain financial stability of the club.
- Repay the debt incurred in modernising the Club premises.

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Directors' Report

31 January 2020

Strategy for achieving the objectives

To achieve these objectives, the Company has adopted the following strategies:

- Provide the best possible facilities to members.
- Provide entertainment and activities to attract patronage to the Club.
- Offer quality meals and beverages.
- Annual development of a financial budget and monthly monitoring of financial performance to ensure the Club operates within its financial capabilities.

How principal activities assisted in achieving the objectives

The principal activities assisted the Company in achieving its objectives by providing reasonably priced food and beverages, entertainment, responsible approved gambling including TAB, Keno and Poker Machines, and meeting venues as required.

Performance measures

The following measures are used within the Company to monitor performance:

- Monitoring performance, by comparing actual results to past performance.
- Reviewing key performance indicators such as gross profit margins, wages to turnover ratios, net returns from trading and average return per poker machine.

Members guarantee

Macksville District Ex-Servicemen's Club Ltd 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 members and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$ 1, subject to the provisions of the company's constitution.

At 31 January 2020 the collective liability of members was \$3,085 (2019: \$ 3,081).

Property Classification

Members are advised that in accordance with section 41J(2) of the Registered Clubs Act, the Board has determined the property classification as follows: -

“Core” Property – 16 Cooper Street Macksville

Lots 2-4	Section C	in DP6045	Club House and Grounds
Lots 4-5		in DP23202	Car Park

“Non-Core” Property

Lots 2-3		in DP22302	29 Princess Street
Lots 5-9	Section C	in DP6045	18-22 Cooper Street
Lot 11	Section C	in DP6045	18-22 Cooper Street
Lot 12		in DP55012	18-22 Cooper Street

Notes to Members on Property Classification

1. Section 41J(2) of the Registered Clubs Act requires the annual report to specify the core property and non-core property of the Club as at the end of the financial year to which the report relates.

2. Core property is any real property owned or occupied by the Club that comprises:

- (a) the defined premises of the Club; or
- (b) any facility provided by the Club for use of its members and their guests; or
- (c) any other property declared by a resolution passed by a majority of the members present at a general meeting of Ordinary members of the Club to be core property of the Club.

3. Non-core property is any other property (other than that referred to above as core property) and any property which is declared by the members at a general meeting of ordinary members of the Club not to be core property.

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Directors' Report

31 January 2020

Property Classification

4. The significance of the distinction between core property and non-core property is that the Club cannot dispose of any core property unless:

- (a) the property has been valued by a registered valuer within the meaning of the Valuers Act 2003; and
- (b) the disposal has been approved at a general meeting of the ordinary members of the Club at which the majority of the votes cast support the approval;
- (c) any sale is by way of public auction or open tender conducted by an independent real estate agent or auctioneer.

5. These disposal provisions and what constitutes a disposal for the purposes of section 41J are to some extent modified by regulations made under the Registered Clubs Act and by Section 41J itself. For example, the requirements in paragraph 4 above, amongst other things, do not apply to:

- Core property that is being leased or licensed for a period not exceeding 10 years on terms that have been the subject of a valuation by a registered valuer; or
- Core property that is leased or licensed to a telecommunications provider for the purposes of a telecommunication tower.

6. Non-core property is not subject to the limitations referred to in paragraph 4 and 5 above and can be disposed of without the Club having to follow the procedure referred to in paragraph 4 above.

Meetings of directors

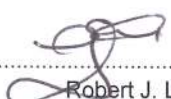
During the financial year, 12 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Robert J. Laird	12	12
Kenneth W. Walker	12	11
Ian Flarrey	12	10
Trevor Ledger	12	11
Neville Dykes	12	12
Petah Russell	2	1
Jason Borthwick	7	6
Helen Reibel	10	8

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 31 January 2020 has been received and can be found on page 4 of the financial report.

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

Director: 
Robert J. Laird

Director: 
Kenneth W. Walker

Dated: 1 September 2020



Macksville District Ex- Servicemen's Club Limited
16 Cooper Street,
Macksville, NSW 2448

**Auditors Independence Declaration under Section 307C of the Corporations Act 2001
To the Directors of Macksville District Ex-Servicemen's Club Ltd:**

I declare that, to the best of my knowledge and belief, during the year ended 31 January 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.

HLV AUDIT PTY LTD

Aart Hooykaas
Director

1 September 2020

Nambucca Heads, NSW

MACKSVILLE

18 Wallace Street
PO Box 27
MACKSVILLE NSW 2447
P 02 6568 3000
F 02 6568 1600
E macksville@hlv.com.au

NAMBUCCA HEADS

7 Mann Street
PO Box 8
NAMBUCCA HEADS NSW 2448
P 02 6568 6197
F 02 6568 7144
E nambucca@hlv.com.au

URUNGA

15 Bonville Street
URUNGA NSW 2455
P 02 6655 5530
F 02 6655 5530
E urunga@hlv.com.au

HLV AUDIT PTY LTD

ABN 70 606 296 431
AAC 478051

W www.hlv.com.au
E info@hlv.com.au

Liability limited by a Scheme approved
under Professional Standards Legislation.

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

**Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 January 2020**

	2020	2019
Note	\$	\$
Poker Machine Revenue	1,661,912	1,789,289
Bar Sales	605,556	578,172
Bistro Sales	1,018,868	877,156
Meals on Wheels	107,571	108,447
Commission	82,299	85,595
Entertainment & Promotions	151,698	130,476
Membership Subscriptions	13,063	13,226
Rental Income from Investment Property	50,029	48,857
Bank Interest	117	224
Insurance Recoveries	19,962	641
Other Income	36,941	44,788
Total Income	3,748,016	3,676,871
Cost of Goods Sold	(866,813)	(802,228)
Employee Benefits Expense	(1,531,575)	(1,474,668)
Depreciation and Amortisation Expense	(257,262)	(252,478)
Repairs & Maintenance	(96,933)	(80,712)
Entertainment & Promotions	(299,598)	(304,042)
Loss on Disposal of Assets	(5,942)	(1,339)
Finance Costs	(29,712)	(30,821)
Poker Machine Duty	(222,418)	(257,004)
Other Operating Expenses	(608,416)	(587,252)
Total Expenses	(3,918,670)	(3,790,544)
Profit before income tax	(170,655)	(113,673)
Income Tax (Expense) / Benefit	-	-
Profit from continuing operations	(170,655)	(113,673)
Other Comprehensive Income	-	-
Total comprehensive income for the year	(170,655)	(113,673)

The Company has initially applied AASB 15 and AASB 1058 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118, AASB 1004 and related interpretations.

The Company has initially applied AASB 16 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 117 and related interpretations.

The accompanying notes form part of these financial statements.

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Statement of Financial Position**31 January 2020**

	Note	2020 \$	2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2	324,380	276,755
Trade and other receivables	3	34,851	13,045
Inventories	4	49,512	43,032
Other assets	8	25,260	25,770
TOTAL CURRENT ASSETS		434,003	358,602
NON-CURRENT ASSETS			
Financial assets		10	10
Property, plant and equipment	5	2,056,959	2,034,289
Investment property	6	428,366	435,844
Intangible assets	7	151,065	151,065
TOTAL NON-CURRENT ASSETS		2,636,400	2,621,208
TOTAL ASSETS		3,070,403	2,979,810
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	603,720	478,008
Borrowings	10	161,159	241,603
Lease liabilities	11	90,722	-
Short-term provisions	12	-	20,813
Employee benefits	14	102,689	98,043
Deferred income	13	28,220	24,764
TOTAL CURRENT LIABILITIES		986,510	863,231
NON-CURRENT LIABILITIES			
Borrowings	10	423,492	329,517
Lease liabilities	11	46,791	-
Employee benefits	14	21,244	24,041
TOTAL NON-CURRENT LIABILITIES		491,527	353,558
TOTAL LIABILITIES		1,478,037	1,216,789
NET ASSETS		1,592,366	1,763,021
EQUITY			
Reserves		51,632	51,632
Retained earnings		1,540,734	1,711,389
TOTAL EQUITY		1,592,366	1,763,021

The Company has initially applied AASB 15 and AASB 1058 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118, AASB 1004 and related interpretations.

The Company has initially applied AASB 16 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 117 and related interpretations.

The accompanying notes form part of these financial statements.

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Statement of Changes in Equity**For the Year Ended 31 January 2020****2020**

	Note	Retained Earnings \$	Reserves \$	Total \$
Balance at 1 February 2019		1,711,389	51,632	1,763,021
Profit / (Loss) for the year		(170,655)	-	(170,655)
Balance at 31 January 2020		1,540,734	51,632	1,592,366

2019

	Note	Retained Earnings \$	Reserves \$	Total \$
Balance at 1 February 2018		1,825,062	51,632	1,876,694
Profit / (Loss) for the year		(113,673)	-	(113,673)
Balance at 31 January 2019		1,711,389	51,632	1,763,021

The Company has initially applied AASB 15 and AASB 1058 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118, AASB 1004 and related interpretations.

The Company has initially applied AASB 16 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 117 and related interpretations.

The accompanying notes form part of these financial statements.

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Statement of Cash Flows**For the Year Ended 31 January 2020**

	2020	2019
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from members and visitors	4,043,327	3,955,772
Payments to suppliers and employees	(3,879,040)	(3,771,634)
Rent received	50,029	48,857
Receipts from government subsidies and rebates	21,180	20,180
Interest received	117	224
Interest paid	(29,712)	(36,819)
Net cash provided by/ (used in) operating activities	19 205,901	216,400
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(192,291)	(105,226)
Net cash used by investing activities	(192,291)	(105,226)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	325,000	890,185
Repayment of borrowings	(173,230)	(933,189)
Payment of lease liabilities	(117,755)	(94,332)
Net cash used by financing activities	34,015	(137,336)
Net increase/(decrease) in cash and cash equivalents held	47,625	(26,162)
Cash and cash equivalents at beginning of year	276,755	302,917
Cash and cash equivalents at end of financial year	2 324,380	276,755

The Company has initially applied AASB 15 and AASB 1058 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118, AASB 1004 and related interpretations.

The Company has initially applied AASB 16 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 117 and related interpretations.

The accompanying notes form part of these financial statements.

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Notes to the Financial Statements

For the Year Ended 31 January 2020

The financial report covers Macksville District Ex-Servicemen's Club Ltd as an individual entity. Macksville District Ex-Servicemen's Club Ltd is a not-for-profit Company limited by guarantee, incorporated and domiciled in Australia.

The functional and presentation currency of Macksville District Ex-Servicemen's Club Ltd is Australian dollars.

The financial report was authorised for issue by the Directors on 1 September 2020.

Comparatives are consistent with prior years, unless otherwise stated.

1 Summary of Significant Accounting Policies

(a) Basis of preparation

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

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements 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.

(b) Going concern

The financial report has been prepared on a going concern basis which assumes the company intends to and will be able to continue its operations in the foreseeable future. The company has recognised a loss after income tax of \$170,655 for the current year and at 31 January 2020, its current liabilities exceeded the current assets by \$548,344. These results, along with the uncertainties surrounding the impact that the COVID-19 government forced restrictions will have on future trading results may cast significant doubt on the entity as a going concern.

The company's ability to continue as a going concern is dependent on a number of factors including their ability to perform in line with forecasted cash flow projections. At the date of this report management has prepared cash flow forecasts with various scenarios and sensitivity analysis. When preparing these forecasts, the Directors considered the following:

- The continued receipt of the Jobkeeper wage subsidy based on current government announcements;
- Receipt of the payments for the Cash Flow Boost for Employers;
- The ability to divest non-core investment property for access to working capital;
- The company has access to redraw on their existing loan facility.
- Operating results since 1 June 2020 when the Club was permitted to return to trade under government forced restrictions in response to the COVID-19 pandemic.
- The continued support from members.

(c) Comparative figures

Comparatives are consistent with prior years, unless otherwise stated.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value.

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Notes to the Financial Statements

For the Year Ended 31 January 2020

1 Summary of Significant Accounting Policies

(e) Goods and services tax (GST)

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

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(f) Income tax

Income tax is not levied on the operations of the Club as they pertain to members (exempt from income tax under Div. 50 of the *Income Tax Assessment Act 1997*), but only in regard to activities concerning visitors, as well as the Club's investment income. Therefore, normal company rates of tax are not based on the operating results for the year, but on the portion applicable to visitors, and investment income. This is known as the principle of mutuality.

As at balance date, the club has carried forward income tax losses of \$96,091. Although the club may trade profitably in future years, after applying the principal of mutuality for taxation purposes, the probability of absorbing the entire balance of carried forward income tax losses is considered to be very low. Therefore, no deferred tax asset has been recognised in the Financial Report as there is no certainty that the taxation losses will provide an economic benefit in the future.

(g) Revenue and other income

Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Generally, the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Company have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Notes to the Financial Statements

For the Year Ended 31 January 2020

1 Summary of Significant Accounting Policies

(g) Revenue and other income

Rental income

Investment property revenue is recognised on a straight-line basis over a period of the lease term so as to reflect a constant periodic rate of return on the net investment.

Specific revenue streams

The revenue recognition policies for the principal revenue streams of the Company are:

Sale of goods

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement with the goods.

Rendering of services

Revenue in relating to rendering of services is recognised upon delivery of the service to customers.

Government grants and subsidies

Income derived from Government grants and subsidies are either recognised in accordance with AASB 15 *Revenue from Contracts with Customers* (discussed above) or AASB 1058 *Income for Not-for-Profit Entities*.

Donations

Donations and bequests are recognised as revenue when received.

Other income

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

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

(i) Financial instruments

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Notes to the Financial Statements

For the Year Ended 31 January 2020

1 Summary of Significant Accounting Policies

(i) Financial instruments

Financial assets

On initial recognition, the Company classifies its financial assets into the following categories, those measured at amortised cost.

Assets measured at amortised cost are financial assets where the business model is to hold assets to collect contractual cash flows; and the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position. Subsequent to initial recognition, these assets are carried at amortised cost less provision for impairment.

Trade receivables

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

Financial liabilities

The Company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost.

The financial liabilities of the Company comprise trade payables, bank and other loans and lease liabilities.

(j) Property, plant and equipment

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

Land and buildings are measured at cost less accumulated depreciation and impairment losses. Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the asset.

Depreciation

The depreciable amount of Property Plant and Equipment is depreciated on a diminishing value basis over the asset's useful life to the Company commencing from the time the asset is held ready for use. Buildings are depreciated on a straight-line basis and land is not depreciated.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.5% - 4.0%
Plant and Equipment	7.5% - 40.0%
Leased plant and equipment	7.5% - 40.0%
Poker Machines	30.0%

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Notes to the Financial Statements

For the Year Ended 31 January 2020

1 Summary of Significant Accounting Policies

(j) Property, plant and equipment

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

(k) Investment property

Investment property is held at cost which includes expenditure that is directly attributable to the acquisition of the investment property. The buildings that form investment properties are depreciated on a straight-line basis over 33 years.

(l) Impairment of non-financial assets

At the end of each reporting year, the Company reviews the carrying values of its tangible and intangible 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 value. Value in use is either the discounted cash flows relating to the asset or depreciated replacement cost if the criteria in AASB 136 'Impairment of Assets' are met. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

(m) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(n) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Employee Benefits Provision

The Company records a provision for employee benefits for future cash flows expected to be incurred by the Company due to employer obligations for long service. In assessing the Company's potential obligation, management apply a consistent probability factor to non-vested entitlements as at reporting date. Management classify employee benefits as current where personnel have satisfied all eligibility, whilst those with a continuous length of service of greater than five years, but less than ten, have been provided for in full and classified as non-current. Personnel with a continuous length of service of less than five years as at reporting date have not been provided for. Management have utilised current individual rates and pay to determine the value of liability as at reporting date on this basis.

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Notes to the Financial Statements

For the Year Ended 31 January 2020

1 Summary of Significant Accounting Policies

(j) Property, plant and equipment

Property, Plant & Equipment – Estimated Useful Lives

The Company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant & equipment and finite or indefinite life of any intangible assets held. The useful lives could change as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or down.

Impairment

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 fair value less cost to sell or value-in-use calculations which incorporate various key estimates and assumptions.

(o) Adoption of new and revised accounting standards

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for annual reporting periods beginning on or after 1 January 2019. The following paragraphs summarise the requirements of these Standards and their impact on the Company where the Standard is relevant:

i) AASB 16 Leases

AASB 16 Leases introduces a single, on balance sheet lease accounting model for the lessee. A lessee recognises a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low value items, where the lease payments are expensed in the period incurred.

The Company has elected to apply the exceptions to lease accounting for both short term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low value assets (less than \$10,000). The Company recognises the payments associated with the leases as an expense on a straight-line basis over the lease term.

This new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

At this date, the company has elected to measure the right of use assets at an amount equal to the lease liability at the date of transition. For leases previously accounted as operating leases with a remaining lease term of less than 12 months and for leases of low value assets, the company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight line basis over the remaining term of the lease.

For those leases previously classified as finance leases, the right-of use asset and the lease liability are measured at the date of initial application at the same amounts as under AASB 117 immediately before the date of initial transition.

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Notes to the Financial Statements

For the Year Ended 31 January 2020

ii) AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract based five step analysis of transactions to determine whether, how much, and when revenue is recognised. It supersedes AASB 118 Revenue, AASB 111 Constructions Contracts and AASB Interpretation 13 Customer Loyalty Programmes.

The Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements as the Company's revenue is predominately generated from cash point of sale transactions.

The Company has adopted all Standards which became effective for the first time at 31 January 2020, the adoption of these Standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Company.

2 Cash and Cash Equivalents

	2020	2019
	\$	\$
Cash at bank & on hand	324,380	276,755

3 Trade and Other Receivables

	2020	2019
	\$	\$
Trade receivables	29,851	8,045
Deposits	5,000	5,000
Total current trade and other receivables	34,851	13,045

4 Inventories

	2020	2019
	\$	\$
Bar Stock	34,683	29,157
Bistro Stock	14,829	13,875
Total Inventory	49,512	43,032

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Notes to the Financial Statements

For the Year Ended 31 January 2020

5 Property, Plant and Equipment

	2020	2019
	\$	\$
LAND AND BUILDINGS		
Freehold Land At cost	183,011	183,011
Total land	183,011	183,011
Buildings At cost	2,400,574	2,313,258
Accumulated depreciation	(1,242,385)	(1,172,604)
Total buildings	1,158,189	1,140,654
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	2,147,927	2,074,516
Accumulated depreciation	(1,545,149)	(1,481,290)
Total plant and equipment	602,778	593,226
Furniture, fixture and fittings		
At cost	593,853	570,055
Accumulated depreciation	(480,872)	(452,657)
Total furniture, fixture and fittings	112,981	117,398
Total property, plant and equipment	2,056,959	2,034,289

(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:

	Land	Buildings	Plant and Equipment	Furniture, Fixtures and Fittings	Total
	\$	\$	\$	\$	\$
Balance at the beginning of year	183,011	1,140,654	593,226	117,398	2,034,289
Additions	-	87,316	156,501	24,860	268,677
Recognise right-of-use asset	-	-	9,718	-	9,718
Disposals - written down value	-	-	(5,920)	(22)	(5,942)
Depreciation expense	-	(69,781)	(150,747)	(29,255)	(249,783)
Balance at 31 January 2020	183,011	1,158,189	602,778	112,981	2,056,959

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Notes to the Financial Statements

For the Year Ended 31 January 2020

6 Investment Property

Investment property consists of land and buildings adjacent to the club's premises. These properties are not used for the club's operations but are rental properties held for investment purposes. These properties are non-core properties as prescribed by the Registered Clubs Act.

	2020	2019
	\$	\$
At Cost	585,966	585,966
Accumulated Depreciation	(157,600)	(150,122)
Total Investment Property	428,366	435,844

The investment properties were independently valued in June 2016. The valuation was based on the fair market value based on similar properties. The critical assumptions adopted in determining the valuation included the location of the land and buildings, sales data for similar properties and capitalisation of an assessed net annual rental return. The investment property located at 18-22 Cooper Street is currently leased for a 5-year term from May 2016 until April 2021. The property at 29 Princess Street is currently leased for a 1-year term which commenced on 1 March 2020.

The fair value of the investment property is:

18 Cooper St, Macksville	\$650,000
29 Princess St, Macksville	<u>\$140,000</u>
Total Fair Value	<u>\$790,000</u>

7 Intangible Assets

The intangible assets represent the poker machine entitlements that have been purchased by the Club in previous years. It is considered that the life of the entitlements is indefinite so the cost cannot be amortised. Under the applicable accounting standards intangible assets must be tested for impairment at least annually. Impairment occurs on an asset where the carrying amount exceeds the recoverable amount. When this occurs, the value of the asset must be reduced to the lower amount with the resulting loss being shown in the statement of comprehensive income. Where the recoverable amount exceeds the carrying amount a recovery of previously recognised impairment loss is allowed. The company has performed value in use calculations based on estimated cashflows and the directors believe the carrying amount of the entitlements are not impaired at 31 January 2020.

	2020	2019
	\$	\$
Poker Machine Entitlements at Cost	194,998	194,998
Accumulated impairment	(43,933)	(43,933)
Net carrying amount	151,065	151,065

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Notes to the Financial Statements**For the Year Ended 31 January 2020****8 Other Assets**

	2020	2019
	\$	\$
CURRENT		
Prepayments	25,260	25,770
Total other assets	25,260	25,770

9 Trade and Other Payables

	2020	2019
	\$	\$
CURRENT		
Trade payables	244,250	170,600
Annual leave entitlements	146,271	148,569
Accrued expenses	84,881	80,910
ATO Liabilities	128,319	77,929
Total current trade & other payables	603,721	478,008

10 Borrowings

	2020	2019
	\$	\$
CURRENT		
Lease liability secured	-	80,877
Bank loans	161,159	160,726
Total current borrowings	161,159	241,603

	2020	2019
	\$	\$
NON-CURRENT		
Lease liability secured	-	57,362
Bank loans	423,492	272,155
Total non-current borrowings	423,492	329,517

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Notes to the Financial Statements

For the Year Ended 31 January 2020

10 Financial liabilities

Summary of Borrowing Arrangements:

i) The lease liability balance in the 2019 comparative year relates to finance lease agreements for the purchase of poker machine equipment and the related licenses. The company has applied the new leasing standard AASB 16 using the modified retrospective method and therefore comparative information has not been restated. The current year lease liabilities are reflected in the line item Leases in the Statement of Financial Position and further information is disclosed in Note 11 below.

ii) In March 2018, the Club secured a business loan facility totalling \$800,000 for the purposes of future upgrades and maintenance of the Club. The term of the new loan is for six years with fortnightly repayments of principal and interest with a final payment of any residual balance at the end of the loan term. As at 31 January 2020, the respective loan's variable interest rate was 4.74% with a minimum fortnightly repayment of \$5,684.97. The terms of the loan allow progressive drawing and as at 31 January 2020 the loan balance was \$542,251 with a redraw available of \$28,879.

iii) In April 2016, a loan was established with ANZ Finance for \$163,836 to fund the replacement of the club's air-conditioning system. The loan has a term of 5 years with monthly principal and interest repayments of \$3,140 commencing in April 2016. As at 31 January 2020 the loan balance was \$42,566.

11 Leasing Commitments and 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.

	2020	2019
	\$	\$
Minimum lease payments:		
- not later than one year	90,722	-
- between one year and five years	46,791	-
Minimum lease payments	<u>137,513</u>	

Lease liabilities relate to the lease of poker machine equipment and the related licenses for terms of 2 to 3 years with monthly repayments, and the Multiscreen Communication Equipment with a lease term of 60 months commencing in May 2017. The lease liabilities are secured by the underlying right-of-use assets, which are included the property, plant and equipment amount in the statement of financial position and note 5 of these financial statements. The carrying amounts of the right of use assets that are included in plant and equipment at 31 January 2020 are as follows:

Poker machines and their licences	\$186,724
Multiscreen Communication System	\$5,553

12 Provisions

	2020	2019
	\$	\$
Bonus Points Provision	-	20,813
Total current provisions	<u>-</u>	<u>20,813</u>

In accordance with the bonus points agreement and the renewal notice to members for the 2020 membership renewals, all bonus points balances were cleared at 30 January 2020 in accordance with the membership bonus points agreement and the notice provided to members in November 2019.

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Notes to the Financial Statements**For the Year Ended 31 January 2020****13 Deferred Income**

	2020	2019
	\$	\$
Subscriptions in Advance	16,865	18,537
Gaming Tax Rebate in Advance	5,727	5,727
Functions Deposits in Advance	5,628	500
Total deferred income	28,220	24,764

14 Employee Benefits

	2020	2019
	\$	\$
Long service leave - current	102,689	98,043
Long service leave - non-current	21,244	24,041
Total Employee Benefits	123,933	122,084

(a) Reconciliation of amounts in the statement of financial position

	2020	2019
	\$	\$
Beginning of the year	122,085	117,086
Current service cost	22,785	21,498
Less Long Service Leave paid	(20,937)	(16,497)
End of year	123,933	122,084

15 Members' Guarantee

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$ 1 each towards meeting any outstanding debts and obligations of the Company. At 31 January 2020 the number of members was 3,085 (2019: 3,081).

16 Interests of Key Management Personnel

The total remuneration paid to key management personnel of the Company is \$112,714 (2019: \$ 108,472).

17 Contingent Liabilities and Contingent Assets

In the opinion of the Directors, the Company did not have any contingencies at 31 January 2020 (31 January 2019: None).

18 Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. During the financial year, there were no related party transactions.

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Notes to the Financial Statements**For the Year Ended 31 January 2020****19 Cash Flow Information**

(a) Reconciliation of result for the year to cashflows from operating activities:

	2020	2019
	\$	\$
Profit for the year	(170,655)	(113,673)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation	257,262	252,478
- net gain on disposal of property, plant and equipment	5,942	1,339
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(21,806)	11,383
- (increase)/decrease in prepayments	510	(2,627)
- (increase)/decrease in inventories	(6,480)	3,171
- increase/(decrease) in income in advance	3,456	(1,572)
- increase/(decrease) in trade and other payables	156,637	51,776
- increase/(decrease) in provisions	(20,813)	9,127
- increase/(decrease) in employee benefits	1,848	4,998
Cashflows from operations	<u>205,901</u>	<u>216,400</u>

20 Events after the end of the Reporting Period

The financial report was authorised for issue on 1 September 2020 by the Board of Directors.

Subsequent to the reporting date, the COVID-19 (Coronavirus) Pandemic was declared. In New South Wales, Registered Clubs were required to cease or limit trading under the direction of NSW Government on 23 March 2020.

On 1 June 2020, the NSW Government began to ease restrictions and also announced from 17 July 2020, premises licensed under the Liquor Act 2007 must comply with the updated safety measures and restrictions on group bookings and venue capacity, including venue rules of a maximum of 300 people at any one time or one (1) customer per 4 square metres (whichever is the lesser).

The Club has determined that this event is non-adjusting after the reporting date. Accordingly, the financial position and results of operations for the year ended 31 January 2020 have not been adjusted to reflect their impact. However, the effects of the COVID-19 Pandemic are rapidly developing and while these changes are likely to impact the Club, it is not possible at the date of this report to quantify the impact.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 21 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 31 January 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.

Director



Robert J. Laird

Director



Kenneth W. Walker

Dated: 1 September 2020



Independent Audit Report

To the members of Macksville District Ex-Servicemen's Club Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the general purpose financial report of Macksville District Ex-Servicemen's Club Ltd (the Company), which comprises the statement of financial position as at 31 January 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial statements 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 31 January 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) in the financial report, which indicates that the company has recognised a loss after income tax of \$170,655 for the current year and at 31 January 2020, its current liabilities exceeded the current assets by \$548,344.

As stated in Note 1(b), these events or conditions, along with other matters as set forth in Note 20, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. At the date of this auditor's report, no other information has been prepared by the Directors.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

MACKSVILLE

18 Wallace Street
PO Box 27
MACKSVILLE NSW 2447

P 02 6568 3000
F 02 6568 1600
E macksville@hlv.com.au

NAMBUCCA HEADS

7 Mann Street
PO Box 8
NAMBUCCA HEADS NSW 2448

P 02 6568 6197
F 02 6568 7144
E nambucca@hlv.com.au

URUNGA

15 Bonville Street
URUNGA NSW 2455

P 02 6655 5530
F 02 6655 5530
E urunga@hlv.com.au

HLV AUDIT PTY LTD

ABN 70 606 296 431
AAC 478051

W www.hlv.com.au
E info@hlv.com.au

Liability limited by a Scheme approved
under Professional Standards Legislation.



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.
- 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.

MACKSVILLE

18 Wallace Street
PO Box 27
MACKSVILLE NSW 2447

P 02 6568 3000
F 02 6568 1600
E macksville@hlv.com.au

NAMBUCCA HEADS

7 Mann Street
PO Box 8
NAMBUCCA HEADS NSW 2448

P 02 6568 6197
F 02 6568 7144
E nambucca@hlv.com.au

URUNGA

15 Bonville Street
URUNGA NSW 2455

P 02 6655 5530
F 02 6655 5530
E urunga@hlv.com.au

HLV AUDIT PTY LTD

ABN 70 606 296 431
AAC 478051

W www.hlv.com.au
E info@hlv.com.au

Liability limited by a Scheme approved
under Professional Standards Legislation.



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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

HLV Audit Pty Ltd

Aart Hooykaas

Nambucca Heads, NSW

1 September 2020

MACKSVILLE

18 Wallace Street
PO Box 27
MACKSVILLE NSW 2447

P 02 6568 3000
F 02 6568 1600
E macksville@hlv.com.au

NAMBUCCA HEADS

7 Mann Street
PO Box 8
NAMBUCCA HEADS NSW 2448

P 02 6568 6197
F 02 6568 7144
E nambucca@hlv.com.au

URUNGA

15 Bonville Street
URUNGA NSW 2455

P 02 6655 5530
F 02 6655 5530
E urunga@hlv.com.au

HLV AUDIT PTY LTD

ABN 70 606 296 431
AAC 478051

W www.hlv.com.au
E info@hlv.com.au

Liability limited by a Scheme approved
under Professional Standards Legislation.