

# **Mingara Recreation Club Limited**

**ABN: 81 001 662 648**

## **Financial Statements**

**For the Year Ended 30 June 2020**

# Mingara Recreation Club Limited

ABN: 81 001 662 648

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For the Year Ended 30 June 2020

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## Mingara Recreation Club Limited

ABN: 81 001 662 648

### Directors' Report For the Year Ended 30 June 2020

The Directors present their report on Mingara Recreation Club Limited for the financial year ended 30 June 2020.

#### Directors

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

Names	Appointed/Resigned
Kate Herron	Commenced May 2018
Russell Johnston	Commenced 2013
Chris King	Commenced 2015
Gary Knight	Commenced 2002, resigned May 2020
Debbie Montgomery	Commenced June 2016
Ian Robilliard, OAM	Commenced May 2019
Philip Walker	Commenced 1996

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

#### Company Secretary

The following person held the position of Club Secretary at the end of the financial year:

Mr Paul Barnett (MME (Newcastle), GAICD, JP) was appointed to the position of Company Secretary on 27 December 2002. Mr Barnett is also the Chief Executive Officer of the group and has been in the gaming and hospitality industry since 1988. He is currently a Director on the Board of The Registered Clubs Association of NSW (ClubsNSW), the industry's peak body. In 2014 he was appointed to the Board of ClubBIZ Holdings Pty Ltd, then subsequently appointed Chair in 2018. He is also a Director of Club Keno Holdings Pty Ltd. In 2019, Paul was appointed to the Board of the Australian Turf Club Ltd.

#### Principal activities

The principal activities of the Club is to be a non-proprietary, not-for-profit members' club conducted in good faith as a club for the benefit of members and their guests.

No significant changes in the nature of these activities occurred during the financial year.

#### Review of operations

The profit of the Club after providing for income tax amounted to \$3,607,083 (2019: profit of \$2,664,993).

The operating profit for the year amounted to \$6,493,303 (2019: \$8,387,257) after charging \$10,476,160 (2019: \$8,868,309) for depreciation and amortisation, \$761,416 (2019: \$722,325) for financing costs and income tax expense of \$273,331 (2019: benefit of \$70,026) and not including a discount on amalgamation of \$8,351,356 (2019: gain on de-amalgamation of \$3,868,370).

## Mingara Recreation Club Limited

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### Directors' Report For the Year Ended 30 June 2020

#### Review of operations (cont'd)

The profit break up between each of the Club's sites is as follows:

	2020	2019
	\$	\$
Mingara Recreation Club Ltd (Tumbi Umbi)	(871,592)	3,264,829
The Westport Club (Port Macquarie)	(579,016)	1,257,158
Lantern Club (Roselands)	1,057,291	1,699,632
Pearl Club (Chatswood)	-	(219,020)
Springwood Sports Club Ltd	(1,197,381)	(496,720)
The Entrance Bowling Club	(856,930)	-
	<b>(2,447,628)</b>	<b>5,505,879</b>
Other group income and expenses	<b>(2,023,314)</b>	<b>(6,779,282)</b>
Discount on amalgamation	<b>8,351,356</b>	-
Profit on de-amalgamation	-	3,868,370
Income tax benefit/(expense)	<b>(273,331)</b>	<b>70,026</b>
<b>Total</b>	<b>3,607,083</b>	<b>2,664,993</b>

The Entrance Bowling Club

On 30 September 2019, the Club amalgamated with The Entrance Bowling Club Limited, with a discount on amalgamation of \$8,351,356 recorded in the statement of comprehensive income.

On 2 March 2020 a fire occurred at the Entrance Bowling Club. The Club property experienced significant damage and the Club has not reopened since. The Club's Insurers are still in the process of assessing the damage of the fire and are unable to reasonably estimate the financial impact of the damage or the value of insurance proceeds to be received at the date of this report.

The Club's building and plant and equipment are still being held at cost with the exception of poker machines of which have been fully impaired as they have visibly been destroyed by the fire. An impairment assessment has been performed by management over value in use of the Club as a Cash Generating Unit (CGU) and no further impairment has been recognised over The Entrance Bowling Club's assets at 30 June 2020.

#### Core and non-core property

For the purpose of complying with section 41J Registered Clubs Act, the Club's members, at the Annual General Meeting held on 18 November 2007, have passed the following ordinary resolution:

That all of the real property owned or occupied by the Club is declared not to be core property of the Club except:

- the Club's defined premises other than the areas within those defined premises currently occupied by third-party users; and
- the bowling greens currently used in connection with the Club's Port Macquarie premises.

## Mingara Recreation Club Limited

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# Directors' Report

## For the Year Ended 30 June 2020

### Short and long term objectives

The Club established short and long term objectives as outlined in the Club's business plan which is reviewed on an annual basis. The Club's short term objective is to maintain the current level of services provided to members and their guests whilst improving trading performance at all venues. This integrates with the longer term objective of conducting business activities in a sound and responsible manner ensuring value to members and the community.

These objectives are measured through both financial and non-financial key performance indicators that have been determined as relevant to the club industry.

The Club continually reviews its operations and assesses opportunities to determine if they can be a benefit to the Club and its members.

### Membership

The Club is a company limited by guarantee and without share capital. The number of members at 30 June 2020 and the comparison with the prior year is as follows:

	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
Ordinary	<b>60,270</b>	57,098
Special	<b>5,770</b>	5,110
Junior	<b>600</b>	622
Employee	<b>404</b>	444
Life	<b>6</b>	7
<b>Total</b>	<b>67,050</b>	63,281

### Information relating to directors

Kate Herron	Business Manager
Experience	Director since May 2018 Director, HealthPoint Mingara (Allied Health medical practice), 2017 - present Director, KidsPoint Mingara (pediatric medical practice), 2017 - present Business Owner
Russell Johnston	Retired
Experience	Director since March 2013 Member of the Mingara Community Advisory Committee, 2010 - 2013 Head Teacher, Department of Education and Communities, 1981 - 2016
Chris King	Section Manager, Arts & Culture
Experience	Director since 2015 Deputy Chairman, Regional Development Australia, Central Coast, 2018 - present Board Member, Regional Development Australia, Central Coast, 2009 - present 53 years professional theatrical actor, Producer, Director, Entertainment and Business and Events Manager Federal Medal recipient for services to the community Business and Tourism Manager Central Coast Tourism Inc, 2011 - 2012 Vice President Gosford Musical Society, 2004 - 2013 Coordinator Gosford Regional Show, 1998 - 2015 Gosford City Council Cultural Citizen of the Year, 2006 Active Central Coast community and charity volunteer for over 30 years

## Mingara Recreation Club Limited

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## Directors' Report

### For the Year Ended 30 June 2020

#### Information relating to directors (cont'd)

Gary Knight	Manager/Consultant
Experience	Director since 2002 Deputy Chairman, 2005 - 2008, 2012 - May 2020 Junior Deputy Chairman, 2004 - 2005 Chairman Community Support Committee, 2006 - 2009 Community Support Committee Member, 2003 - 2009 Previously worked for 25 years with the Commonwealth Bank in various roles, including customer service, lending, administration, branch management and business banking Two years in small business management in retail sector Numerous committee positions with sporting bodies including organising major events
Debbie Montgomery	Real Estate Consultant
Experience	Director since 2016 Licensed Real Estate Agent, licensee in charge Full time Real Estate Agent, July 2002 - present Registered Fitness Instructor Business Owner
Ian Robilliard, OAM	Business Manager
Experience	Director since May 2019 Managing Director & Founder Central Coast Academy of Sport 2004 - present Chairman, Regional Academies of Sport 2018 - present Director, Regional Academies of Sport 2005 - present Deputy Chair, Sport Central Coast January 2019 - present Managing Director, Gold Coast Academy of Sport 2005 - 2016 OAM Recipient for Service to Sport as a Player, Coach and Administrator 2017 Former CEO Sydney Kings National Basketball League 2012 Former Head Coach, Sydney Kings 2010 - 2012 Former Chief Operation Officer, PGA Australia 1998 - 2003 Former National Education Director, PGA Australia 1993 - 1997
Philip Walker	Property Consultant
Experience	Director since 1996 Chairman, 2001 - 2003, 2012 - present Deputy Chairman, 1998 - 2000, 2009 - 2011 Junior Deputy Chairman, 1997 - 1998, 2008 - 2009 Community Support Committee member, February 2008 - June 2009 Chairman of Regional Development Australia, Central Coast, 2014 - present Chairman of ClubsNSW Central Coast Region Committee, 2016 - present Acting Chairman of Regional Development Australia, Central Coast, 2013 - 2014 Director of Central Coast Tourism Inc, 2003 - 2013 Former Detective Senior Sergeant, NSW Police Crime Agencies Former Chief of Staff for a member of the Australian Senate

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

#### Members' guarantee

Mingara Recreation 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, including members who ceased to be a member in the prior year to the winding up, shall not exceed \$20 subject to the provisions of the company's constitution.

At 30 June 2020 the collective liability of members was \$1,341,000 (2019: \$1,265,620).

## Mingara Recreation Club Limited

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### Directors' Report For the Year Ended 30 June 2020

#### Future developments

Likely developments in the operations of the Club and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Club.

#### Meetings of Directors

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

	Board of Directors' Meetings		Special Board Meetings	
	Eligible to attend	Number attended	Eligible to attend	Number attended
Kate Herron	12	12	2	2
Russell Johnston	12	12	2	2
Chris King	12	12	2	2
Gary Knight	11	11	2	2
Debbie Montgomery	12	10	2	1
Ian Robilliard, OAM	12	12	2	2
Philip Walker	12	12	2	2

#### Directors' Continuing Professional Development (CPD)

Industry best practice recommends that active directors record their CPD results each year, with a goal of achieving 120 points over a 3 year period (40 points per year). This demonstrates our Directors' commitment that the highest standards of governance are being applied by all Board members. Directors' CPD points during the financial year were as follows:

CPD Points Achieved	
2019 - 2020	
Kate Herron	100
Russell Johnston	100
Chris King	100
Gary Knight	110
Debbie Montgomery	100
Ian Robilliard, OAM	150
Philip Walker	100

## Mingara Recreation Club Limited

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### Directors' Report For the Year Ended 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 10 of the financial report.

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

Director:   
Philip Walker

Director:   
Ian Robilliard, OAM

Dated 22 September 2020



## Mingara Recreation Club Limited

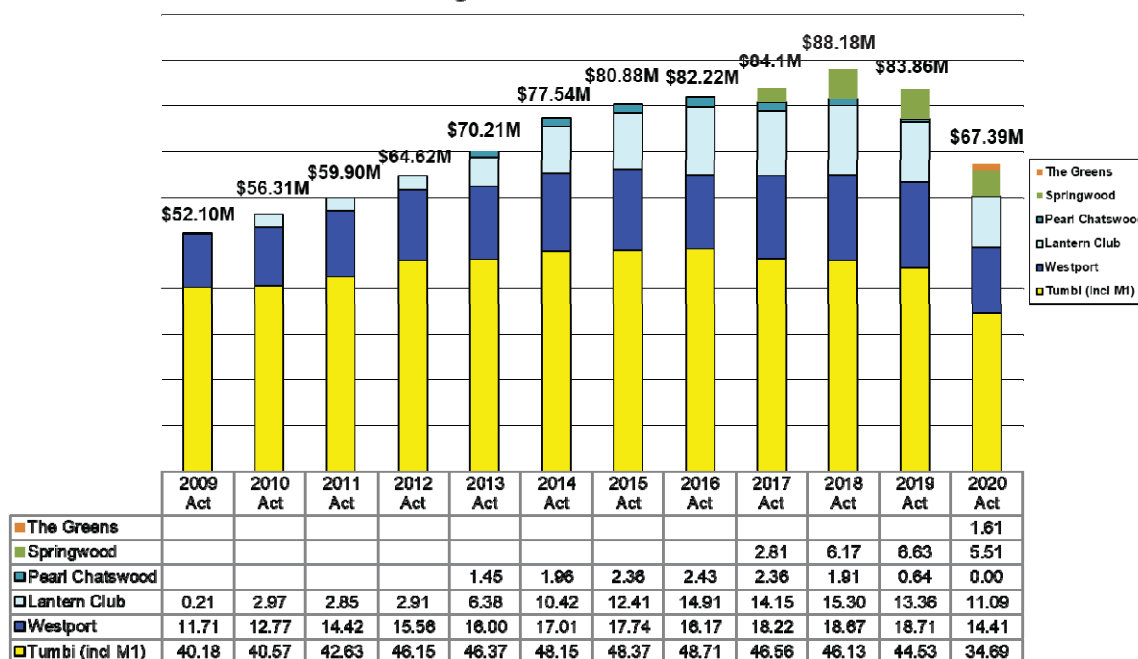
ABN: 81 001 662 648

### Discussion and Analysis on the Concise Financial Report For the Year Ended 30 June 2020

#### Statement of Profit or Loss and Other Comprehensive Income

The FY20 total operating revenue dropped by \$12,503,472 (14.85%) to \$71,671,484. The majority of this was revenue lost from the effects of Covid-19 (Coronavirus) on trade in the first quarter of the 2020 calendar year, followed by the government mandated shutdown from 23 March 2020 for all of our venues. The result relates to operating revenue and does not include the revenue (profit) realized from the amalgamation with The Entrance Bowling Club (30 September 2019) which equated to \$8,351,356.

**Mingara Recreation Club - Sales Revenue by Business 2009 - 2020**  
Figures shown in \$M's



Our single largest expense relates to employee benefits which encompass all wages, leave, payroll on-costs, staff training, uniforms, and recruitment. This year the costs have decreased by \$2,590,256 (8.2%) from \$31,598,241 to \$29,007,985.

Poker machine compliance costs, which include the NSW Government's gaming tax, showed a decrease of \$2,671,168 (15.37%) to \$14,711,760. This expenditure represents an outlay of \$0.21 cents of every dollar of the Club's operational revenue. It continues to be the second largest of our recurrent costs.

Depreciation has increased from \$8,868,309 to \$10,476,160.

Raw materials and consumables dropped markedly (20.22%) with expenditure this year of \$6,047,757 compared to last year being \$7,580,710. Property expenses (including Information Technology costs) also dropped (13.59%) with expenditure this year being \$4,736,867 compared to \$5,482,000.

Finance costs have increased slightly by \$39,091 (5.41%).

## Mingara Recreation Club Limited

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### Discussion and Analysis on the Concise Financial Report For the Year Ended 30 June 2020

A summary of finance costs over the past years shows:

Financial Year	Finance Costs/ \$100 of revenue
2009/10	\$1.83
2010/11	\$1.46
2011/12	\$1.27
2012/13	\$1.52
2013/14	\$1.28
2014/15	\$0.94
2015/16	\$0.67
2016/17	\$0.84
2017/18	\$0.86
2018/19	\$0.86
2019/20	\$1.06

All other expenses have had a decrease of 26.96% or \$3,723,016. The majority of this is made up of decreases in expenditure on:

- entertainment and promotions (down \$1,194,976)
- postage, printing, and stationery (down \$70,883)
- repairs and maintenance expenses (down \$239,763)
- other operating expenses (down \$2,353,890).

These increases were marginally offset by increased expenditure on:

- professional service fees (up \$6,726)
- changes in inventories (up \$309,651).
- insurance (up \$129,770).

This results in a profit position (after tax) for 2020 of \$3,607,083. The comparable amount for 2019 was a profit of \$2,664,993.

#### Statement of Financial Position

The Club's net assets increased by \$3,607,083 from \$97,919,609 to \$101,526,692. Total assets increased by 9.81% from \$135,025,140 to \$148,272,039. There has been an increase in total liabilities of \$9,639,816 (25.97%) from \$37,105,531 to \$46,745,347.

Major movements in Assets during the year were:

- Increase in Cash Holdings of \$1,482,943
- Increase in trade and other receivables of \$1,178,542 which relates to Job Keeper Grant payments owing from the Government
- Increase in Property, Plant and Equipment of \$7,417,930 and an increase in Intangible Assets of \$3,076,460.

Major movements in Liabilities during the year were:

- Increase in trade and other payables of \$2,573,280
- Increase in short- and long-term provisions of \$2,678,973
- Increase in Total Borrowings of \$3,555,164.

The Club's total loan balances have increased from \$23,083,843 to \$26,639,007 which contributes to a total liabilities/total asset gearing ratio of 31.52% compared to a ratio last year of 27.48%.

## **Mingara Recreation Club Limited**

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### **Discussion and Analysis on the Concise Financial Report For the Year Ended 30 June 2020**

#### **Statement of Cash Flows**

Cash generated from operating activities amounts to \$10,512,240. This is an increase of \$1,451,188 compared to the 2019 year.

The Club spent \$8,553,764 investing in Property, Plant and Equipment. This is a decrease on FY19 of \$5,118,554, but investments were also made in the purchase of gaming machine entitlements (\$1,201,460) and payments relating to the amalgamation of The Entrance Bowling Club (\$2,418,331).

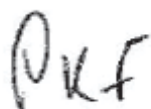
Net cash provided by financing activities was \$3,144,258 which is the net of repayment of borrowings (\$4,135,906) against proceeds of bank lending received (\$7,280,164) during the year.

The result of these movements in cash flows detailed above, the Club's cash assets at year-end were \$11,008,102, being an increase of \$1,482,943 during the FY20 financial year.

## Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

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.



PKF



CLAYTON HICKEY  
PARTNER

22 SEPTEMBER 2020  
NEWCASTLE, NSW

## Mingara Recreation Club Limited

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

		2020	2019
	Note	\$	\$
Revenue	5	71,671,484	84,174,956
Other income	5	8,351,356	3,868,370
Changes in inventories	6	(313,847)	(4,196)
Raw materials and consumables used	6	(6,047,757)	(7,580,710)
Employee benefits expense		(29,007,985)	(31,598,241)
Entertainment, promotions and members amenities		(4,600,878)	(5,795,854)
Depreciation and impairment expense	6	(10,476,160)	(8,868,309)
Insurance expense		(837,957)	(708,187)
Poker Machine compliance costs		(14,711,760)	(17,382,928)
Postage, printing and stationery		(213,003)	(283,886)
Professional service fees		(196,010)	(189,284)
Property expense (including IT expense)		(4,736,867)	(5,482,000)
Repairs and maintenance		(2,019,213)	(2,258,976)
Other operating expenses		(2,219,573)	(4,573,463)
Finance costs	6	(761,416)	(722,325)
<b>Profit before income tax</b>		<b>3,880,414</b>	<b>2,594,967</b>
Income tax (expense)/benefit	8	(273,331)	70,026
<b>Profit for the year</b>		<b>3,607,083</b>	<b>2,664,993</b>
<b>Other comprehensive income</b>			
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<b>3,607,083</b>	<b>2,664,993</b>

The accompanying notes form part of these financial statements.

# Mingara Recreation Club Limited

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## Statement of Financial Position

As At 30 June 2020

	Note	2020 \$	2019 \$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	9	11,008,102	9,525,159
Trade and other receivables	10	1,967,340	788,798
Inventories	11	671,161	985,008
TOTAL CURRENT ASSETS		13,646,603	11,298,965
NON-CURRENT ASSETS			
Property, plant and equipment	12	118,440,601	111,022,671
Deferred tax assets	17	1,988,738	2,106,371
Intangible assets	13	13,673,593	10,597,133
Right of use assets		522,504	-
TOTAL NON-CURRENT ASSETS		134,625,436	123,726,175
TOTAL ASSETS		148,272,039	135,025,140
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	14	9,390,152	6,816,872
Borrowings	15	5,064,007	5,354,843
Short-term provisions	16	6,947,332	4,314,311
Lease liabilities		314,883	-
TOTAL CURRENT LIABILITIES		21,716,374	16,486,026
NON-CURRENT LIABILITIES			
Borrowings	15	21,575,000	17,729,000
Deferred tax liabilities	17	2,892,427	2,589,476
Long-term provisions	16	346,981	301,029
Lease liabilities		214,565	-
TOTAL NON-CURRENT LIABILITIES		25,028,973	20,619,505
TOTAL LIABILITIES		46,745,347	37,105,531
NET ASSETS		101,526,692	97,919,609
<b>EQUITY</b>			
Reserves	18	3,279,120	3,279,120
Retained earnings		98,247,572	94,640,489
TOTAL EQUITY		101,526,692	97,919,609

The accompanying notes form part of these financial statements.

## Mingara Recreation Club Limited

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### Statement of Changes in Equity For the Year Ended 30 June 2020

	Retained Earnings	Asset Revaluation Surplus	Total
	\$	\$	\$
Balance at 1 July 2019	94,640,489	3,279,120	97,919,609
Profit for the year	3,607,083	-	3,607,083
Balance at 30 June 2020	98,247,572	3,279,120	101,526,692
Balance at 1 July 2018	91,975,496	3,279,120	95,254,616
Profit for the year	2,664,993	-	2,664,993
Balance at 30 June 2019	94,640,489	3,279,120	97,919,609

The accompanying notes form part of these financial statements.

## Mingara Recreation Club Limited

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### Statement of Cash Flows For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers		69,380,162	86,475,431
Payments to suppliers and employees		(62,044,616)	(76,725,321)
Interest received		20,487	27,823
Interest paid		(761,417)	(722,325)
Income tax refund		1,027	5,444
Receipt from government grants		3,916,597	-
Net cash provided by operating activities		<u>10,512,240</u>	<u>9,061,052</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		(8,553,764)	(13,672,318)
Purchase of poker machine entitlements		(1,201,460)	(328,803)
Proceeds on de-amalgamation		-	5,900,000
Payments made on amalgamation		(2,418,331)	-
Net cash used in investing activities		<u>(12,173,555)</u>	<u>(8,101,121)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from bank borrowings		7,280,164	6,116,257
Repayment of bank borrowings		(4,135,906)	(4,984,622)
Net cash provided by financing activities		<u>3,144,258</u>	<u>1,131,635</u>
Net increase in cash and cash equivalents held		1,482,943	2,091,566
Cash and cash equivalents at beginning of year		<u>9,525,159</u>	<u>7,433,593</u>
Cash and cash equivalents at end of financial year	9	<u>11,008,102</u>	<u>9,525,159</u>

The accompanying notes form part of these financial statements.



## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

The financial statements are for Mingara Recreation Club Limited as a not-for-profit individual entity. A not-for-profit entity is an entity whose primary objective is to provide goods or services for community or social benefit and where equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders.

The functional and presentation currency of Mingara Recreation 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 and the *Corporations Act 2001*.

Material accounting policies adopted in the preparation of these 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.

#### **Comparative Amounts**

Comparatives are consistent with prior years, unless otherwise stated.

#### **2 New or Amended Accounting Standards and Interpretations Adopted**

##### *AASB 15 Revenue from Contracts with Customers*

The Club has adopted AASB 15 from 1 July 2019. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

##### *AASB 16 Leases*

The Club has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs).

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

#### **2 New or Amended Accounting Standards and Interpretations Adopted (cont'd)**

##### *AASB 1058 Income of Not-for-Profit Entities*

The Club has adopted AASB 1058 from 1 July 2019. The standard replaces AASB 1004 'Contributions' in respect to income recognition requirements for not-for-profit entities. The timing of income recognition under AASB 1058 is dependent upon whether the transaction gives rise to a liability or other performance obligation at the time of receipt. Income under the standard is recognised where: an asset is received in a transaction, such as by way of grant, bequest or donation; there has either been no consideration transferred, or the consideration paid is significantly less than the asset's fair value; and where the intention is to principally enable the entity to further its objectives. For transfers of financial assets to the entity which enable it to acquire or construct a recognisable non-financial asset, the entity must recognise a liability amounting to the excess of the fair value of the transfer received over any related amounts recognised. Related amounts recognised may relate to contributions by owners, AASB 15 revenue or contract liability recognised, lease liabilities in accordance with AASB 16, financial instruments in accordance with AASB 9, or provisions in accordance with AASB 137. The liability is brought to account as income over the period in which the entity satisfies its performance obligation. If the transaction does not enable the entity to acquire or construct a recognisable non-financial asset to be controlled by the entity, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income immediately. Where the fair value of volunteer services received can be measured, a private sector not-for-profit entity can elect to recognise the value of those services as an asset where asset recognition criteria are met or otherwise recognise the value as an expense.

##### *Impact of adoption*

AASB 15 and AASB 1058 were adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact on opening retained profits as at 1 July 2019.

AASB 16 was adopted using the modified retrospective method from 1 July 2019 and therefore the comparative information for the year ended 30 June 2019 has not been restated and has been prepared in accordance with AASB 117 Leases and associated Accounting Interpretations.

The impact of adoption of AASB 16 at 1 July 2019 was the recognition of right -of-use assets of \$766,255 and lease liabilities of \$766,255 for leases previously classified as operating leases.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 3.4%.

#### **3 Summary of Significant Accounting Policies**

##### **(a) 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 Club 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 which takes into account estimates of variable consideration and the time value of money
4. Allocate the transaction price to the separate performance obligations on the basis of the relative standalone selling price of each distinct good or service to be delivered
5. Recognise the revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

#### **3 Summary of Significant Accounting Policies (cont'd)**

##### **(a) Revenue and other income (cont'd)**

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 Club have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

##### **Specific revenue streams**

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

##### **Sale of goods**

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time where the performance obligations have been met and transfer of control have been completed. Revenue is recognised net of any discounts given to members/patrons.

##### **Provision of services**

Revenue from rendering of services comprises revenue from memberships together with other services to members and other patrons of the club and is recognised when the services are provided.

Revenue from the provision of membership subscriptions is recognised on a straight-line basis over the financial year.

Gaming machine revenue is recognised on an accrual basis calculated as net of gaming machine collections and payout's, less any costs associated with future jackpot contributions.

##### **Government grants**

Government grants are recognised when there is reasonable certainty that the grant will be received and all grant conditions are met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

Government grants include amounts received or receivable under the Federal Government's JobKeeper Payment Scheme and Cash Flow Boost Scheme, which provide temporary subsidies to eligible businesses significantly affected by COVID-19.

##### **Interest revenue**

Interest is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

##### **Other income**

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

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

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

#### **3 Summary of Significant Accounting Policies (cont'd)**

##### **(b) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which the Club incurs them.

##### **(c) Business combinations - amalgamation**

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the Club's financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date. This is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred.

The acquisition date fair value of the consideration transferred for a business combination shall form the cost of the investment. Consideration may comprise the sum of the assets transferred by the acquirer and liabilities incurred by the acquirer to the former owners.

##### **Fair Value**

As fair value is a market based measure, the closest equivalent observable market pricing information was used to determine fair value. Adjustments to market values have been made having regard to the specific asset or liability.

##### **(d) Income tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense.

As the Club is not for profit, any profits made from members goes back into the organisation to carry out its purpose. Profits made from non-members are taxed under the mutuality principle.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

#### **3 Summary of Significant Accounting Policies (cont'd)**

##### **(d) Income tax (cont'd)**

###### **Deferred income tax assets**

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

###### **Deferred tax calculation**

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

###### **Benefit brought to account**

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the club will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting year. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

##### **(e) Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

##### **(f) Inventories**

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received.

##### **(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.

###### **Land and buildings**

Land and buildings are measured at cost.

###### **Plant and equipment**

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

#### **3 Summary of Significant Accounting Policies (cont'd)**

##### **(g) Property, plant and equipment (cont'd)**

###### **Depreciation**

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

The estimated useful lives used for each class of depreciable asset are shown below:

<b>Fixed asset class</b>	<b>Useful life</b>
Buildings	7 - 66 years
Plant and Equipment	3 - 25 years
Furniture, Fixtures and Fittings	6 - 15 years
Motor Vehicles	6 - 8 years

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.

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

###### **Capital work in progress**

Capital work in progress are recognised at cost and are not subject to depreciation until the asset is ready for use and transferred to plant and equipment.

##### **(h) Financial instruments**

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Club 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).

###### **Financial Assets**

Financial assets are divided into the following categories which are described in detail below:

- amortised cost
- fair value through profit or loss - FVTPL

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

#### **3 Summary of Significant Accounting Policies (cont'd)**

##### **(h) Financial instruments (cont'd)**

###### **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 Club'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 using the effective interest rate method less provision for impairment.

Interest income and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

###### **Financial assets through profit or loss**

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL. Net gains or losses, including any interest or dividend income are recognised in profit or loss.

###### **Impairment of financial assets**

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the Club considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Club's historical experience and informed credit assessment and including forward looking information.

The Club uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Club uses the presumption that a financial asset is in default when:

- The other party is unlikely to pay its credit obligations to the Club in full, without recourse to the Club to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Club in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

#### **3 Summary of Significant Accounting Policies (cont'd)**

##### **(h) Financial instruments (cont'd)**

###### **Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired.

The Club's financial liabilities include trade and other payables, which are measured at amortised cost using the effective interest rate method.

##### **(i) Impairment of non-financial assets**

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

Where an indicator exists and regardless for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss. Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

##### **(j) Intangible assets**

###### **Poker machine entitlements**

Purchase of poker machine entitlements are held at cost and are deemed to have an indefinite useful life. They are tested for impairment in accordance with Note 2(i).

##### **(k) 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) and poker machine revenue (refer Note 3(a)). 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 payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.



## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

#### **3 Summary of Significant Accounting Policies (cont'd)**

##### **(l) Employee benefits**

A provision is made for the Club'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 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 not satisfy vesting requirements. Those cash outflows are discounted using market yields on Australian Corporate bonds with terms to maturity that match the expected timing of cashflows.

Contributions are made by the Club to an employee superannuation fund and are charged as expenses when incurred.

##### **(m) Provisions**

Provisions are recognised when the Club 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 are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period.

##### **(n) Change in accounting estimate**

The Club changed the way it accounts for provisions for link jackpots and bonus points at 30 June 2020 to include both an estimate for links built into stand alone progressive machines and an estimate for the grouped progressive link. In prior periods only the grouped progressive link was accounted for in the provision.

The aggregate effect of the change in accounting estimate on the annual financial statements for the year ended 30 June 2020 is an additional \$2,716,261 recorded as a provision for link jackpots and bonus points (no taxation effect results from these changes).

##### **(o) Leases**

Lease liability - current year

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 Club'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 Club's assessment of lease term.

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.

## **Mingara Recreation Club Limited**

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

#### **3 Summary of Significant Accounting Policies (cont'd)**

##### **(o) Leases (cont'd)**

Leases - comparative year

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. The lease is not recognised in the statement of financial position.

##### **(p) Adoption of new and revised accounting standards**

During the current year, the Club adopted all the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

#### **4 Critical Accounting Estimates and Judgements**

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 held at The Entrance Bowling Club**

The property plant and equipment of The Entrance Bowling Club were damaged in a fire on 2 March 2020 and the Club has been closed from this date. The Club's Insurers are still in the process of assessing the damage of the fire and are unable to reasonably estimate the financial impact of the damage incurred over the Club's property.

Poker Machines held at the Entrance Bowling Club were all visibly destroyed in the fire and have been fully impaired in the 30 June 2020 financial year, with an impairment loss of \$589,388 recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Management have performed an impairment assessment of the remaining assets held at The Entrance Bowling Club through reference to the value in use of the entire Club as a cash-generating unit (CGU). In doing so, management have assessed the present value of expected future cashflows of the Club, based on actual cashflows prior to the date of the fire and adjusted for the period in which the Club is expected to be closed. Cashflow projections have been adjusted for expected operating conditions in the current economic climate taking into consideration the impact of COVID-19 on trading conditions at nearby Clubs, including the Tumby Umbi site.

Assets included in managements assessment of the Club as a CGU include:

	<b>2020</b>
	<b>\$</b>
Land - Club site	<b>670,000</b>
Buildings	<b>2,502,188</b>
Plant and Equipment	<b>180,477</b>
Capital Works in Progress	<b>687,293</b>
Intangibles - Poker Machine Entitlements	<b>1,875,000</b>
	<b>5,914,958</b>

Management have assessed the recoverable amount of the assets held at The Entrance Bowling Club to be greater than the carrying amount and thus no impairment loss has been recognised at 30 June 2020.

##### **Key estimates - impairment of property, plant and equipment**

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

Impairment testing over other property plant and equipment held by the Club has resulted in no impairment write-downs being recognised at 30 June 2020.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

#### **4 Critical Accounting Estimates and Judgements (cont'd)**

##### **Provisions - long service leave**

As described in the accounting policies, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

##### **Property, plant and equipment residual values and useful lives**

The Club determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and definite life intangible assets. The useful lives could change significantly 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 written down.

##### **Key estimates - impairment of intangibles**

The recoverable amount of intangible assets was assessed by reference to the intangibles value-in-use. Value-in-use is calculated based on the present value of cash flow projections over a 5 year period, with consideration for COVID-19 and its potential impact on future cash flows. Cash flow projections are based on 6 months expected trading revenue in the year to 30 June 2021 and allow for sufficient headroom.

The cash flows are discounted using a rate of 5% and an annual growth rate of 3%. Management believes that any reasonable possible change in key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount of intangible assets to exceed its recoverable amount. The assumptions used in the discounted cash flow model are tested against a sensitivity model (+/- 5%).

##### **Deferred tax balances**

Deferred tax assets are recognised for deductible temporary differences only if the Club considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. As the Club is a not for profit organisation, any profit made from members goes back into the organisation to carry out its purpose. Profits made from non-members are taxed under the mutuality principle.

# Mingara Recreation Club Limited

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

### 5 Revenue and Other Income

#### Revenue from continuing operations

	2020	2019
	\$	\$
<b>Revenue</b>		
- sale of goods	16,250,218	19,953,037
- provision of services	51,313,508	63,476,077
- interest received	20,487	27,823
- government grants	3,916,597	7,380
- other trading revenue	170,674	710,639
	<u>71,671,484</u>	<u>84,174,956</u>
<b>Other Income</b>		
- discount on amalgamation	8,351,356	-
- profit on de-amalgamation	-	3,868,370
	<u>8,351,356</u>	<u>3,868,370</u>

### 6 Result for the Year

#### Depreciation and impairment expense

Depreciation - property, plant and equipment	9,468,786	8,868,309
Depreciation - right-of-use assets	417,986	-
Impairment of assets held at The Entrance Bowling Club	589,388	-
	<u>10,476,160</u>	<u>8,868,309</u>
<b>Finance costs</b>		
Interest on bank loans	740,220	722,325
Interest on lease liabilities	21,196	-
	<u>761,416</u>	<u>722,325</u>
Loss on disposal of assets	118,435	1,416,512
<b>Cost of sales</b>		
Raw materials and consumables used	6,047,757	7,580,710
Changes in inventories	313,847	4,196
	<u>6,361,604</u>	<u>7,584,906</u>

## Mingara Recreation Club Limited

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

#### 7 Club Amalgamation

On 30 September 2019, the Club amalgamated with The Entrance Bowling Club Ltd under a Deed of Amalgamation pursuant to Division 1A of the *Registered Clubs Act 1976*, acquiring the assets and liabilities of The Entrance Bowling Club Ltd.

The amalgamation had the following effect on the Club's assets and liabilities.

	Fair value \$
Purchase consideration:	
- Cash and expenditure incurred	2,418,331
Assets or liabilities acquired:	
Cash on hand	107,070
Other assets	5,000
Inventories	28,560
Land and buildings	8,415,000
Plant and equipment	585,000
Intangible assets	1,875,000
Liabilities recognised on amalgamation	(99,718)
Deferred tax liability	(146,225)
<b>Total net identifiable assets</b>	<b>10,769,687</b>
<b>Profit on amalgamation</b>	<b>8,351,356</b>

Cash consideration for the acquisition was less than the assets acquired. Accordingly, the fair value of the net assets of The Entrance Bowling Club Ltd has been treated as a discount on acquisition in accordance with AASB 3 *Business Combinations* and subsequently recognised in the Statement of Profit or Loss and Other Comprehensive Income.

#### 8 Income Tax Expense

(a) The major components of tax expense (income) comprise:

	2020 \$	2019 \$
Current tax expense/(income)		
- Current tax	-	-
- Deferred tax	274,358	(70,026)
- Over provision of tax in prior year	(1,027)	-
	<b>273,331</b>	<b>(70,026)</b>

## Mingara Recreation Club Limited

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

#### 8 Income Tax Expense (cont'd)

##### (b) Reconciliation of income tax to accounting profit:

The Income Tax Assessment Act 1997 (amended) provides that under the concept of mutuality, Clubs are only liable for income tax on income derived from non-members and from outside entities.

	2020 \$	2019 \$
Prima facie income tax expense 30% (2019: 30%)	1,164,124	778,490
Net income and expenditure items relating to member activity	1,615,641	311,995
Previously unrecognised capital losses applied	-	(1,160,511)
Non-assessable gain on amalgamation	(2,505,407)	-
Over provision of income tax in prior year	(1,027)	-
Income tax expense/(benefit)	<u>273,331</u>	<u>(70,026)</u>

#### 9 Cash and Cash Equivalents

Cash on hand	2,736,072	4,359,821
Cash at bank	7,206,976	2,893,878
Short-term bank deposits	-	1,316,817
Other cash and cash equivalents	1,065,054	954,643
	<u>11,008,102</u>	<u>9,525,159</u>

#### 10 Trade and Other Receivables

CURRENT		
Trade receivables	62,041	141,608
Government grants receivable	1,236,000	-
Prepayments	632,896	648,140
Other receivables	36,403	(950)
	<u>1,967,340</u>	<u>788,798</u>

#### 11 Inventories

CURRENT		
At cost:		
Bar and beverage stock	615,669	817,361
Promotions and other stock	55,492	167,647
	<u>671,161</u>	<u>985,008</u>

# Mingara Recreation Club Limited

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

### 12 Property, Plant and Equipment

	2020 \$	2019 \$
LAND AND BUILDINGS		
Freehold land		
Land, at cost	<b>21,388,185</b>	15,523,185
Buildings, at cost	<b>123,682,878</b>	113,193,395
Accumulated depreciation	<b>(43,654,685)</b>	(40,187,895)
	<b>80,028,193</b>	73,005,500
Total land and buildings	<b>101,416,378</b>	88,528,685
PLANT AND EQUIPMENT		
Capital works in progress, at cost	<b>990,760</b>	4,897,122
Plant and equipment, at cost	<b>44,644,438</b>	43,438,862
Accumulated depreciation	<b>(31,402,939)</b>	(27,909,950)
Total plant and equipment	<b>13,241,499</b>	15,528,912
Furniture, fixtures and fittings, at cost	<b>7,950,652</b>	7,066,998
Accumulated depreciation	<b>(5,191,705)</b>	(5,044,461)
Total furniture, fixtures and fittings	<b>2,758,947</b>	2,022,537
Motor vehicles, at cost	<b>92,059</b>	92,059
Accumulated depreciation	<b>(59,042)</b>	(46,644)
Total motor vehicles	<b>33,017</b>	45,415
Total plant and equipment	<b>17,024,223</b>	22,493,986
<b>Total property, plant and equipment</b>	<b>118,440,601</b>	111,022,671



## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 12 Property, Plant and Equipment (cont'd)

##### (a) Movements in carrying amounts of property, plant and equipment

	Capital Works in Progress	Land	Buildings	Plant and Equipment	Furniture, Fixtures and Fittings	Motor Vehicles	Total
	\$	\$	\$	\$	\$	\$	\$
Opening balance	4,897,122	15,523,185	73,005,500	15,528,912	2,022,537	45,415	111,022,671
Additions	-	-	4,125,949	3,931,537	1,310,030	-	9,367,516
Additions from amalgamation	-	5,865,000	2,550,000	585,000	-	-	9,000,000
Disposals	-	-	-	(881,565)	(9,847)	-	(891,412)
Transfers	(3,906,362)	-	3,906,362	-	-	-	-
Depreciation expense	-	-	(3,559,618)	(5,332,997)	(563,773)	(12,398)	(9,468,786)
Impairment loss	-	-	-	(589,388)	-	-	(589,388)
<b>Balance at the end of the year</b>	<b>990,760</b>	<b>21,388,185</b>	<b>80,028,193</b>	<b>13,241,499</b>	<b>2,758,947</b>	<b>33,017</b>	<b>118,440,601</b>

##### (b) Carrying value of property plant and equipment of The Entrance Bowling Club

On 2 March 2020 a fire occurred at the Entrance Bowling Club. The Club property experienced significant damage and the Club has not reopened since.

Poker Machines held at the Entrance Bowling Club were all visibly destroyed in the fire and have been fully impaired in the 30 June 2020 financial year, with an impairment loss of \$589,388 recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The Club's land, building and plant and equipment are still being held at cost as the Club's Insurers are still in the process of assessing the damage of the fire and are unable to reasonably estimate the financial impact of the damage and potential impairment of the club property.

The carrying value of property plant and equipment held at The Entrance Bowling Club has been assessed for impairment by reference to the Club as a CGU, with no further impairment recognised at 30 June 2020. Refer to note 4 for details on the key assumptions used by management in the impairment assessment performed.

The carrying value of items of property plant and equipment held at The Entrance bowling Club at 30 June 2020 include:

	2020
	\$
Land - club site	670,000
Land - surrounding properties	5,195,000
Buildings	2,502,188
Capital Works in Progress	687,293
Plant and Equipment	180,477
	<b>9,234,958</b>

## Mingara Recreation Club Limited

ABN: 81 001 662 648

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

#### 13 Intangible Assets

	2020 \$	2019 \$
NON-CURRENT		
626 (2019: 519) Purchased poker machine entitlements, at cost	<b>13,673,593</b>	10,597,133

The Club has a total of 1,111 (2019: 1,004) poker machine entitlements at its Club sites.

These poker machine entitlements are stated at cost, and have an indefinite useful life given they have no expiry date. The remainder of the Club's poker machine entitlements were granted for no cost, and have not been recognised as they do not meet the recognition and measurement criteria of the Accounting Standards.

##### (a) Reconciliation

###### Poker Machine Entitlements

Balance at the beginning of the year	10,597,131	10,268,330
Additions - purchased	1,201,462	328,803
Additions through amalgamation	1,875,000	-
<b>Total</b>	<b>13,673,593</b>	<b>10,597,133</b>

During the year, the Club purchased 32 entitlements for the Lantern Club (Roselands) at a cost of \$1,201,462.

#### 14 Trade and Other Payables

CURRENT		
Trade payables	2,889,895	3,376,752
Goods and services tax payable	407,175	185,528
Sundry payables and accrued expenses	5,975,810	3,068,099
Amounts received in advance	117,272	186,493
	<b>9,390,152</b>	<b>6,816,872</b>

#### 15 Borrowings

CURRENT		
Bank loans	4,675,000	5,050,000
Other financial liabilities	389,007	304,843
	<b>5,064,007</b>	<b>5,354,843</b>
NON-CURRENT		
Bank loans	<b>21,575,000</b>	17,729,000

The bank loans are secured by a first registered mortgage over all of the Club's property; a fixed and floating charge over the assets and undertakings of the Club; and a Deed of Undertaking between the CEO, the Club and Westpac Banking Corporation in relation to the operating of the Club's gaming and liquor licences.

# Mingara Recreation Club Limited

ABN: 81 001 662 648

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

### 16 Provisions

	2020	2019
	\$	\$
CURRENT		
Employee entitlements	3,814,820	3,818,093
Link Jackpots and Bonus Points	3,132,512	496,218
	<b>6,947,332</b>	<b>4,314,311</b>
NON-CURRENT		
Employee entitlements	346,981	301,029

	Employee entitlements	Link Jackpots and Bonus Points	Total
	\$	\$	\$
Opening Balance at 1 July 2019	4,119,122	496,218	4,615,340
Additional provisions	2,123,262	5,910,884	8,034,146
Provisions used	(2,080,583)	(3,274,590)	(5,355,173)
<b>Balance at 30 June 2020</b>	<b>4,161,801</b>	<b>3,132,512</b>	<b>7,294,313</b>

### 17 Tax

#### (a) Deferred Tax Assets

	2020	2019
	\$	\$
Revenue tax losses at 30% (2019: 30%)	876,225	603,275
Timing differences at 30% (2019: 30%)	1,112,513	1,503,096
	<b>1,988,738</b>	<b>2,106,371</b>

#### (b) Deferred Tax Liabilities

Timing differences at 30% (2019: 30%)	<b>2,892,427</b>	2,589,476
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## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 17 Tax (cont'd)

##### (c) Deferred tax assets and liabilities are attributed to the following

	Assets		Liabilities		Total	
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
Land	-	-	(2,223,972)	(2,223,972)	(2,223,972)	(2,223,972)
Springwood Land	-	-	(365,463)	(365,463)	(365,463)	(365,463)
Right of use asset	-	-	(156,751)	-	(156,751)	-
Property, plant and equipment	392,345	501,956	-	-	392,345	501,956
Buildings	269,906	632,680	-	-	269,906	632,680
Employee benefits	244,303	242,618	-	-	244,303	242,618
Lease liability	158,834	-	-	-	158,834	-
Trade & other payables	47,125	125,842	-	-	47,125	125,842
DTL on amalgamation	-	-	(146,225)	-	(146,225)	-
Tax losses	876,225	603,275	-	-	876,225	603,275
Prepayments	-	-	(16)	(41)	(16)	(41)
<b>Total</b>	<b>1,988,738</b>	<b>2,106,371</b>	<b>(2,892,427)</b>	<b>(2,589,476)</b>	<b>(903,689)</b>	<b>(483,105)</b>

##### (d) Movement in temporary difference during the year

	Balance 1 July 2019	Recognised	Closing Balance
	\$	\$	\$
Land	(2,223,972)	-	(2,223,972)
Springwood Land	(365,463)	-	(365,463)
Right of use asset	-	(156,751)	(156,751)
Property, plant and equipment	501,956	(109,611)	392,345
Buildings	632,680	(362,774)	269,906
Employee benefits	242,618	1,685	244,303
Lease liability	-	158,834	158,834
Trade & other payables	125,842	(78,717)	47,125
DTL on amalgamation	-	(146,225)	(146,225)
Tax losses	603,275	272,950	876,225
Prepayments	(41)	25	(16)
	<b>(483,105)</b>	<b>(420,582)</b>	<b>(903,689)</b>

#### 18 Reserves

##### Asset realisation reserve

The asset realisation reserve represents a reduction in the Club's deferred tax liability in relation to the calculation of the tax base of buildings owned by the Club. The tax base of buildings for registered clubs is calculated by reducing from the cost of the buildings the capital allowances deducted for taxation purposes under Division 43 of the Income Tax Assessment Act 1997.

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 19 Financial Risk Management

The Club's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, bank loans and overdrafts, commercial bills and leases.

The Club does not have any derivative financial instruments. No financial assets and liabilities are readily traded on organised markets in standardised form.

The total for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	2020	2019
	\$	\$
<b>Financial Assets</b>		
<i>Held at amortised cost</i>		
Cash and cash equivalents	11,008,102	9,525,159
Trade and other receivables	1,335,837	141,608
<b>Total financial assets</b>	<b>12,343,939</b>	<b>9,666,767</b>
<b>Financial Liabilities</b>		
<i>Held at amortised cost</i>		
Goods and services tax payable	407,175	185,528
Sundry payables and accrued expenses	5,975,810	3,068,099
Trade payables	2,889,895	3,376,752
Borrowings	26,639,007	23,083,843
<b>Total financial liabilities</b>	<b>35,911,887</b>	<b>29,714,222</b>

There is no material difference between the carrying value and fair value of the Club's financial assets and liabilities.

While there is a shortfall of \$23,567,948 between the financial liabilities and financial assets held by the Club at 30 June 2020, this is not expected to create cashflow issues.

#### 20 Related Parties

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

There were no transactions with related parties during the financial year.

#### 21 Key Management Personnel Disclosures

The totals of remuneration paid to the key management personnel of the Club during the year is \$1,629,690 (2019: \$1,959,385).

## Mingara Recreation Club Limited

ABN: 81 001 662 648

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

#### 22 Capital and Leasing Commitments

##### Operating leases

	2020	2019
	\$	\$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	-	409,902
- between one year and five years	-	353,276
	<u>-</u>	<u>763,178</u>

Operating leases have been taken out over gym equipment and motor vehicles. The lease terms are 3 - 5 years.

Operating leases have been reclassified as lease liabilities from 1 July 2019 in accordance with AASB 16 Leases.

#### 23 Contingencies

##### Contingent asset - Insurance claim

On 2 March 2020 a fire occurred at The Entrance Bowling Club. The Club's Insurers are still in the process of assessing the damage and are unable to reasonably estimate the financial impact of the damage or the value of insurance proceeds to be received at the date of this report. The value of the insurance proceeds will be determined by the insurers following a full assessment of the damage to the building and plant and equipment. Insurance proceeds will be recognised as income when the value can be reliably determined.

##### Contingent liability - Casual employee entitlements

The Club employs casual employees as part of its normal operations. Following the Federal Court of Australia's recent ruling in the case of WorkPac Pty Ltd v Rossato [2020] FCAFC 84, the Club is currently reviewing the potential implication to the organisation. The ruling provided further clarity around how the courts would define a casual worker and pointed to circumstances where there was a firm advance commitment from the employer and as a result the employee had an expectation of continuing and indefinite work.

Management have performed a review of how they engage with their casual employees and have determined that the outcomes of this case will have limited implications for the Club as there is no firm commitment made to casual workers of continuing and indefinite work and hours worked are largely irregular. However, given the broad application and the number of casuals employed by the Club, there is a potential that an obligation may arise in the future should the courts judgment be more broadly interpreted or applied.

##### Other contingent liabilities

TAB Limited	15,000	15,000
Port Macquarie-Hastings Council	214,000	214,000
Weston Energy Pty Ltd and QBE Insurance	75,000	75,000
	<u>304,000</u>	<u>304,000</u>

The above contingencies have been incurred for the provision of facilities or services to the Club. The contingencies are ongoing for TAB facilities, overflow parking and supply of a gas hub.

## **Mingara Recreation Club Limited**

ABN: 81 001 662 648

# **Notes to the Financial Statements**

## **For the Year Ended 30 June 2020**

### **24 Events after the end of the Reporting Period**

Following the fire that occurred at The Entrance Bowling Club on 2 March 2020, the Club received an initial progress payment of \$1,000,000 from insurers on 6 July 2020 to assist with rectification costs. As the insurers are still in the process of assessing the damage of the fire, the total insurance pay-out can not be reliably estimated at the date of this report.

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 Club, the results of those operations or the state of affairs of the Club in future financial years.

## Mingara Recreation Club Limited

ABN: 81 001 662 648

### Directors' Declaration

The Directors of the Club declare that:

1. The financial statements and notes, as set out on pages 11 to 37, 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 Club.
2. In the Directors' opinion, there are reasonable grounds to believe that the Club 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 .....  
Philip Walker

Director .....  
Ian Robilliard, OAM

Dated 22 September 2020

Tumbi Umbi



## INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF Mingara Recreation Club Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Mingara Recreation Club Limited (the Club), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 Mingara Recreation Club Limited, is in accordance with the Corporations Act 2001, including:

- (a) Giving a true and fair view of the Club's financial position as at 30 June 2020, and of its financial performance for the year then ended; and
- (b) Complying with the Australian Accounting Standards – Reduced Disclosure Requirements and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Club 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 (including Independence Standards) (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 Club, would be in the same terms if given to the directors as at the time of this auditor's report.

#### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Club's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

## Other Information (cont'd)

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, 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 the Directors for the Financial Report

The directors of the Club 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 Club'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 Club or to cease operations, or has 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 Club's internal control.

## Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Club'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 Club 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.

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, action taken to eliminate threats or safeguards applied.



PKF



CLAYTON HICKEY  
PARTNER

22 SEPTEMBER 2020  
NEWCASTLE, NSW