

Mingara Recreation Club Limited

ABN: 81 001 662 648

Financial Statements

For the Year Ended 30 June 2021

Mingara Recreation Club Limited

ABN: 81 001 662 648

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For the Year Ended 30 June 2021

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Mingara Recreation Club Limited

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Directors' Report For the Year Ended 30 June 2021

The Directors present their report on Mingara Recreation Club Limited for the financial year ended 30 June 2021.

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
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. In 2019, Paul was appointed to the Board of the Australian Turf Club.

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 \$9,702,346 (2020: profit of \$3,607,083).

The operating profit for the year amounted to \$20,542,397 (2020: \$6,493,303) before charging \$12,847,285 (2020: \$10,476,160) for depreciation and amortisation, \$553,840 (2020: \$761,416) for financing costs and income tax expense of \$1,438,926 (2020: \$273,331) and not including other income of \$4,000,000 (2020: \$8,351,356).

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Directors' Report For the Year Ended 30 June 2021

Review of operations (cont'd)

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

	2021	2020
	\$	\$
Mingara Recreation Club Ltd (Tumbi Umbi)	6,697,324	(871,592)
The Westport Club (Port Macquarie)	4,109,829	(579,016)
Lantern Club (Roselands)	3,882,083	1,057,291
Springwood Sports Club	(347,692)	(1,197,381)
The Greens The Entrance	621,297	(856,930)
	14,962,841	(2,447,628)
Other group income and expenses	(3,821,569)	(2,023,314)
Discount on amalgamation	-	8,351,356
Income tax benefit/(expense)	(1,438,926)	(273,331)
Total	9,702,346	3,607,083

The Greens The Entrance

On 30 September 2019, the Club amalgamated with The Greens The Entrance, 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 Greens The Entrance. The Club property experienced significant damage and the Club has not reopened since.

An impairment loss of \$589,388 was recorded in the financial year ended 30 June 2020, an additional impairment loss of \$2,471,405 has been recorded in the 30 June 2021 Statement of Profit or Loss and Other Comprehensive Income for damaged buildings and plant and equipment.

A progress claim for damages from the fire of \$4,000,000 has been received during the 2021 financial year and recorded as other income in the 30 June 2021 Statement of Profit or Loss and Other Comprehensive Income. At the date of this report, the Club's Insurers are still in the process of finalising the final value of insurance proceeds to be received.

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.

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Directors' Report For the Year Ended 30 June 2021

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 2021 and the comparison with the prior year is as follows:

	2021	2020
	No.	No.
Ordinary	56,598	60,270
Special	4,094	5,770
Junior	473	600
Employee	368	404
Life	8	8
Total	61,539	67,050

Information relating to directors

Kate Herron	Business Manager
Experience	Director since May 2018 Director/Shareholder, Kids Health Gosford Pty Ltd, 2021- present Director/Shareholder, Kids Point Specialist Centre Pty Ltd, 2021- present 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	Consultant
Experience	Director since 2015 Board Member, Regional Development Australia, Central Coast, 2009 - present Deputy Chair, Regional Development Australia, Central Coast, 2018 - 2020 Manager Arts and Culture, Central Coast Council, 2013 - 2021 Business and Tourism Manager Central Coast Tourism Inc, 2011 - 2012 Vice President Gosford Musical Society, 2004 - 2013 Federal Medal recipient for Services to the Community, 2000 Coordinator Gosford Regional Show, 1998 - 2015 Small events, entertainment business owner/operator 1988 - 2011 Over 50 years in Theatre, Television, Actor and Entertainer Gosford City Council Cultural Citizen of the Year, 2006 Active Central Coast community and charity volunteer for over 30 years

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Directors' Report For the Year Ended 30 June 2021

Information relating to directors (cont'd)

Debbie Montgomery Experience	Licensed Real Estate Agent / Auctioneer Director since 2016 Licensed Real Estate Agent, July 2002 - present Accredited Auctioneer, 2020 - present Licensed Real Estate Agent, Licensee in Charge, 2012-2019 Registered Fitness Instructor Business Owner
Ian Robilliard, OAM Experience	Business Manager Director since May 2019 Managing Director & Founder Central Coast Academy of Sport 2004 - present Chair, Regional Academies of Sport 2018 - present Director, Regional Academies of Sport 2005 - present Deputy Chair, Sport Central Coast January 2019 - present Director, Central Coast Basketball 2018 - June 2021 OAM Recipient for Service to Sport as a Player, Coach and Administrator 2017 Managing Director, Gold Coast Academy of Sport 2005 - 2016 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 Experience	Retired Director since 1996 Chairman, 2001 - 2003, 2012 - present Deputy Chair, 1998 - 2000, 2009 - 2011 Junior Deputy Chair, 1997 - 1998, 2008 - 2009 Chair of ClubsNSW Central Coast Region, 2016 - present Community Support Committee member, February 2008 - June 2009 Chair of Regional Development Australia, Central Coast, 2014 - 2021 Acting Chair 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 2021 the collective liability of members was \$1,230,780 (2020: \$1,341,000).

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.

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Discussion and Analysis on the Concise Financial Report For the Year Ended 30 June 2021

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	Attended	Eligible to attend	Attended
Kate Herron	12	10	2	2
Russell Johnston	12	12	2	2
Chris King	12	12	2	2
Debbie Montgomery	12	12	2	2
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 2020 - 2021
Kate Herron	95
Russell Johnston	45
Chris King	55
Debbie Montgomery	55
Ian Robilliard, OAM	65
Philip Walker	55

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 2021 has been received and can be found on page 8 of the financial report.

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



Director Philip A Walker



Director Ian Robilliard, OAM

Dated September 28, 2021

Mingara Recreation Club Limited

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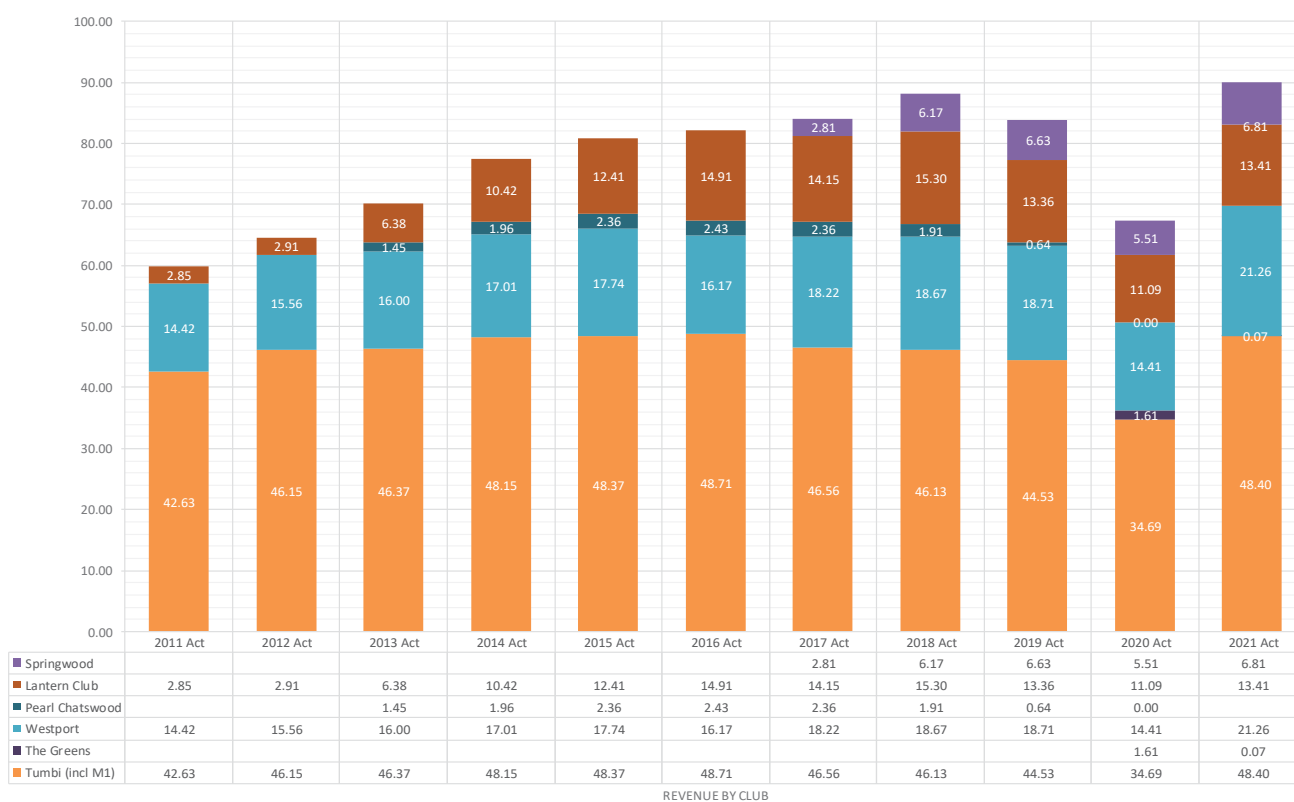
Discussion and Analysis on the Concise Financial Report

For the Year Ended 30 June 2021

Statement of Profit or Loss and Other Comprehensive Income

The FY21 total operating revenue increased year on year by \$18,281,738 (25.5%) to \$89,953,222, in addition to a \$4,000,000 insurance recovery relating to the 2020 fire at The Greens The Entrance. Significant revenue activity was achieved in gaming post the Covid-19 closure of Q4, 2020. Unfortunately, the year ended, similarly to the way it commenced, with a further Covid-19 closure in June 2021, due to the new very contagious Delta Covid strain. The club currently remains closed until restrictions are released.

MINGARA RECREATION CLUB – SALES REVENUE BY BUSINESS 2011 - 2021
FIGURES SHOWN IN \$M'S



Commentary

Clubs are a service-based entity, relying on a strong employee team to service the clubs' patrons. This year the employee costs have decreased by a further \$2,111,329 (7.2%) from \$29,007,985 to \$26,896,656. This primarily achieved through outsourcing dining operations at Lantern Club, Mingara Recreation Club and Springwood Sports Club, and the closure of The Greens The Entrance due to fire.

Poker machine compliance costs, which include the NSW Government's gaming tax, showed an increase of \$5,265,701 (35.8%) to \$19,977,461. The expenditure is 21.3% of total revenue, and the groups second largest cost after employee benefits.

Depreciation has increased from \$10,476,160 to \$12,847,285. This is an increase of 22.6% on prior year.

Raw materials and consumables dropped in 2021, by \$236,625 to \$5,811,132 as three of the clubs outsourced their primary catering functions. The only club within the group that operates with a fully functioning catering team is The Westport Club, in Port Macquarie.

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Discussion and Analysis on the Concise Financial Report For the Year Ended 30 June 2021

Statement of Profit or Loss and Other Comprehensive Income (cont'd)

Property expenses decreased by \$85,146 (1.7%) bringing the annual expenditure to \$4,651,721, compared to \$4,736,867 in the prior year. This was partially due to the closure of The Greens The Entrance.

Finance costs have decreased significantly to \$553,840, a reduction of \$207,576 (27.3%) from the 2020 results. During the financial year, the club placed cash funds in excess of requirements on commercial bills, reducing interest charged.

Insurance expense have increased considerably from \$837,957 in 2020 to \$1,182,838 in the 2021 year. This represents an increase of 41.2%. as a result of a tightening insurance market. In December 2020, we were made aware our primary insurer, Allianz was unable to continue as the lead insurer. Whilst alternative insurers were sourced, there was some concern regarding Springwood Sports Club being located in a bush fire hazard zone, despite being a designated emergency evacuation centre. Furthermore, the recent fire at The Greens The Entrance did not encourage underwriters to offer competitive pricing without a good understanding of the risks involved. Insurance audits are currently underway in 2022, which should enable the club to more closely manage insurance risk and insurance costs.

The strong performance in 2021 enabled the club to operate a cash redraw facility against the commercial bills which significantly reduced the interest accruing on the outstanding commercial bills.

During 2021, the club wrote off \$2,471,405, the remaining assets of The Greens The Entrance. The club also received an insurance payment for \$4,000,000 as partial compensation for the damage at The Greens fire.

Other Expenses, of \$3,249,088, have increased by \$1,029,515 (46.4%) on the 2020 expenses. The majority of this is made up of increases in expenditure on:

- Club Grants (up \$459,595)
- Subscriptions & Licensees (up \$87,769)
- Keno Expense (up \$46,288)

These decreases were marginally offset by increased expenditure on:

- Leases (down \$46,252)
- Travel (down \$18,256)

This results in a profit position (after tax) for 2021 of \$9,702,346. The comparable amount for 2020 was a profit of \$3,607,083.

Statement of Financial Position

The Club's net assets increased by \$9,702,346 from \$101,526,692 to \$111,229,038. Total assets increased by 2.1% from \$148,272,039 to \$151,455,989. There has been a decrease in total liabilities of \$6,518,396 (13.9%) from \$46,745,347 to \$40,226,951.

Major movements in Assets during the year were:

- Increase in Cash Holdings of \$12,148,034
- Decrease in trade and other receivables of \$983,009
- Decrease in Property, Plant and Equipment of \$7,011,356

Major movements in Liabilities during the year were:

- Decrease in trade and other payables of \$3,852,871
- Increase in short- and long-term provisions of \$965,511
- Decrease in Total Borrowings of \$4,270,492

The Club's total loan balances have decreased from \$26,639,007 to \$22,368,515 in 2021.

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Discussion and Analysis on the Concise Financial Report

For the Year Ended 30 June 2021

Statement of Cash Flows

Cash generated from operating activities amounts to \$22,384,106. This is an increase of \$11,877,574 compared to the 2020 year.

The Club spent \$5,971,288 investing in Property, Plant and Equipment. This is a decrease on FY2020 of \$2,588,184.

Net cash provided by financing activities was a reduction of \$4,270,492 which was repayment of borrowings.

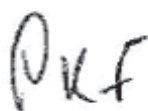
The result of these movements in cash flows detailed above, the Club's cash assets at year-end were \$23,156,136, being an increase of \$12,148,034 during the 2021 financial year.

Mingara Recreation Club Limited

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 2021, 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

28 SEPTEMBER 2021
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 2021

		2021	2020
	Note	\$	\$
Revenue	4	89,953,222	71,671,484
Other income	4	4,000,000	8,351,356
Changes in inventories	5	(88,263)	(313,847)
Raw materials and consumables used	5	(5,811,132)	(6,047,757)
Employee benefits expense		(26,896,656)	(29,007,985)
Entertainment, promotions and members amenities		(4,553,008)	(4,600,878)
Depreciation and impairment expense	5	(12,847,285)	(10,476,160)
Insurance expense		(1,182,838)	(837,957)
Poker machine compliance costs		(19,977,461)	(14,711,760)
Postage, printing and stationery		(163,999)	(213,003)
Professional service fees		(215,755)	(196,010)
Property expense (including IT expense)		(4,651,721)	(4,736,867)
Repairs and maintenance		(2,620,904)	(2,019,213)
Other operating expenses		(3,249,088)	(2,219,573)
Finance costs	5	(553,840)	(761,416)
Profit before income tax		11,141,272	3,880,414
Income tax expense	6	(1,438,926)	(273,331)
Profit for the year		9,702,346	3,607,083
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		9,702,346	3,607,083

The accompanying notes form part of these financial statements.

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Statement of Financial Position As at 30 June 2021

	Note	2021 \$	2020 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	23,156,136	11,008,102
Trade and other receivables	8	984,331	1,967,340
Inventories	9	582,898	671,161
TOTAL CURRENT ASSETS		<u>24,723,365</u>	<u>13,646,603</u>
NON-CURRENT ASSETS			
Property, plant and equipment	10	111,429,245	118,440,601
Deferred tax assets	15	1,200,190	1,988,738
Intangible assets	11	13,673,593	13,673,593
Right of use assets		429,596	522,504
TOTAL NON-CURRENT ASSETS		<u>126,732,624</u>	<u>134,625,436</u>
TOTAL ASSETS		<u>151,455,989</u>	<u>148,272,039</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	5,537,281	9,390,152
Borrowings	13	13,618,515	5,064,007
Short-term provisions	14	7,912,843	6,947,332
Lease liabilities		328,340	314,883
TOTAL CURRENT LIABILITIES		<u>27,396,979</u>	<u>21,716,374</u>
NON-CURRENT LIABILITIES			
Borrowings	13	8,750,000	21,575,000
Deferred tax liabilities	15	3,542,804	2,892,427
Long-term provisions	14	421,351	346,981
Lease liabilities		115,817	214,565
TOTAL NON-CURRENT LIABILITIES		<u>12,829,972</u>	<u>25,028,973</u>
TOTAL LIABILITIES		<u>40,226,951</u>	<u>46,745,347</u>
NET ASSETS		<u>111,229,038</u>	<u>101,526,692</u>
EQUITY			
Reserves	16	3,279,120	3,279,120
Retained earnings		107,949,918	98,247,572
TOTAL EQUITY		<u>111,229,038</u>	<u>101,526,692</u>

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity For the Year Ended 30 June 2021

	Retained Earnings	Asset Revaluation Surplus	Total
	\$	\$	\$
Balance at 1 July 2020	98,247,572	3,279,120	101,526,692
Profit for the year	9,702,346	-	9,702,346
Balance at 30 June 2021	107,949,918	3,279,120	111,229,038
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

The accompanying notes form part of these financial statements.

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Statement of Cash Flows For the Year Ended 30 June 2021

	2021	2020
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	87,449,325	69,380,162
Payments to suppliers and employees	(73,716,748)	(62,044,616)
Interest received	2,914	20,487
Interest paid	(540,140)	(761,417)
Income tax refund	-	1,027
Receipt from government grants	5,188,755	3,916,597
Insurance receipts	4,000,000	-
Net cash provided by operating activities	<u>22,384,106</u>	<u>10,512,240</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(5,965,580)	(8,553,764)
Purchase of poker machine entitlements	-	(1,201,460)
Payments made on amalgamation	-	(2,418,331)
Net cash used in investing activities	<u>(5,965,580)</u>	<u>(12,173,555)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bank borrowings	-	7,280,164
Repayment of bank borrowings	(4,270,492)	(4,135,906)
Net cash (used in)/provided by financing activities	<u>(4,270,492)</u>	<u>3,144,258</u>
Net increase in cash and cash equivalents held	12,148,034	1,482,943
Cash and cash equivalents at beginning of year	11,008,102	9,525,159
Cash and cash equivalents at end of financial year	7 <u>23,156,136</u>	<u>11,008,102</u>

The accompanying notes form part of these financial statements.

Mingara Recreation Club Limited

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Notes to the Financial Statements For the Year Ended 30 June 2021

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 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.

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:

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Notes to the Financial Statements For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies (cont'd)

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

Specific revenue streams (cont'd)

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).

Insurance income

Insurance proceeds are recognised in the statement of profit and loss statement when deemed receivable.

(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.

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Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies (cont'd)

(b) Borrowing costs (cont'd)

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.

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.

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Summary of Significant Accounting Policies (cont'd)

(d) Income tax (cont'd)

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.

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Notes to the Financial Statements For the Year Ended 30 June 2021

2 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:

Fixed asset class	Useful life
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.

Mingara Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2021

2 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 2021

2 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 2(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.

Mingara Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2021

2 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 cash flows.

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) Leases

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.

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

3 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.

Mingara Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2021

3 Critical Accounting Estimates and Judgements (cont'd)

Key estimates - impairment of assets held at The Greens The Entrance

The property plant and equipment of The Greens The Entrance were damaged in a fire on 2 March 2020 and the Club has been closed from this date.

Poker Machines held at The Greens The Entrance were all visibly destroyed in the fire and were 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. Insurance assessors were able to assess the extent of damage incurred subsequent to the 30 June 2020 financial year end, as a result an additional impairment loss of \$2,471,405 has been recorded in the 30 June 2021 Statement of Profit or Loss and Other Comprehensive Income for damaged buildings and plant and equipment.

Management have performed an impairment assessment of the remaining assets held at The Greens The Entrance 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 cash flows of the Club, based on actual cash flows 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 Tumbi Umbi site.

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 an impairment write-down of capitalised development costs of \$1,339,655 being recognised at 30 June 2021.

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.

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Notes to the Financial Statements For the Year Ended 30 June 2021

3 Critical Accounting Estimates and Judgements (cont'd)

Property, plant and equipment residual values and useful lives (cont'd)

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 2022 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.

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Notes to the Financial Statements For the Year Ended 30 June 2021

4 Revenue and Other Income

Revenue from continuing operations

	2021	2020
	\$	\$
Revenue		
- sale of goods	14,469,650	16,250,218
- provision of services	71,284,796	51,313,508
- interest received	2,914	20,487
- government grants	3,952,755	3,916,597
- other trading revenue	243,107	170,674
	<u>89,953,222</u>	<u>71,671,484</u>

Other Income

- discount on amalgamation	-	8,351,356
- insurance proceeds	4,000,000	-
	<u>4,000,000</u>	<u>8,351,356</u>

5 Result for the Year

Depreciation and impairment expense

Depreciation - property, plant and equipment	8,728,987	9,468,786
Depreciation - right-of-use assets	301,530	417,986
Impairment loss	3,816,768	589,388
	<u>12,847,285</u>	<u>10,476,160</u>

Finance costs

Interest on bank loans	540,140	740,220
Interest on lease liabilities	13,700	21,196
	<u>553,840</u>	<u>761,416</u>

Loss on disposal of assets	<u>461,193</u>	<u>118,435</u>
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Cost of sales

Raw materials and consumables used	5,811,132	6,047,757
Changes in inventories	88,263	313,847
	<u>5,899,395</u>	<u>6,361,604</u>

Mingara Recreation Club Limited

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Notes to the Financial Statements For the Year Ended 30 June 2021

6 Income Tax Expense

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

	2021	2020
	\$	\$
Current tax expense		
- Current tax	-	-
- Deferred tax	1,438,926	274,358
- Over provision of tax in prior year	-	(1,027)
	<u>1,438,926</u>	<u>273,331</u>

(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.

Prima facie income tax expense 30% (2020: 30%)	3,640,916	1,164,124
Net income and expenditure items relating to member activity	(1,903,454)	1,615,641
Previously unrecognised capital losses applied	(298,536)	-
Non-assessable gain on amalgamation	-	(2,505,407)
Over provision of income tax in prior year	-	(1,027)
Income tax benefit	<u>1,438,926</u>	<u>273,331</u>

7 Cash and Cash Equivalents

Cash on hand	5,022,709	2,736,072
Cash at bank	16,948,737	7,206,976
Other cash and cash equivalents	1,184,690	1,065,054
	<u>23,156,136</u>	<u>11,008,102</u>

8 Trade and Other Receivables

CURRENT		
Trade receivables	123,376	62,041
Government grants receivable	-	1,236,000
Prepayments	860,955	632,896
Other receivables	-	36,403
	<u>984,331</u>	<u>1,967,340</u>

Mingara Recreation Club Limited

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Notes to the Financial Statements For the Year Ended 30 June 2021

9 Inventories

	2021	2020
	\$	\$
CURRENT		
At cost:		
Bar and beverage stock	518,161	615,669
Promotions and other stock	64,737	55,492
	<u>582,898</u>	<u>671,161</u>

10 Property, Plant and Equipment

LAND AND BUILDINGS

Freehold land

Land, at cost

21,388,185 21,388,185

Buildings, at cost

Accumulated depreciation

121,180,944 123,682,878

(46,693,264) (43,654,685)

74,487,680 80,028,193

Total land and buildings

95,875,865 101,416,378

PLANT AND EQUIPMENT

Capital works in progress, at cost

1,580,690 990,760

Plant and equipment, at cost

Accumulated depreciation

38,727,629 44,644,438

(27,126,788) (31,402,939)

11,600,841 13,241,499

Total plant and equipment

Furniture, fixtures and fittings, at cost

Accumulated depreciation

7,608,722 7,950,652

(5,243,244) (5,191,705)

2,365,478 2,758,947

Total furniture, fixtures and fittings

Motor vehicles, at cost

Accumulated depreciation

57,059 92,059

(50,688) (59,042)

6,371 33,017

Total motor vehicles

Total plant and equipment

15,553,380 17,024,223

Total property, plant and equipment

111,429,245 118,440,601

Mingara Recreation Club Limited

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Notes to the Financial Statements For the Year Ended 30 June 2021

10 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	990,760	21,388,185	80,028,193	13,241,499	2,758,947	33,017	118,440,601
Additions	1,929,585	-	613,424	3,189,112	233,459	-	5,965,580
Disposals	-	-	-	(355,225)	(67,417)	(14,247)	(436,889)
Depreciation expense	-	-	(3,682,532)	(4,474,545)	(559,511)	(12,399)	(8,728,987)
Impairment loss	(1,339,655)	-	(2,471,405)	-	-	-	(3,811,060)
Balance at the end of the year	1,580,690	21,388,185	74,487,680	11,600,841	2,365,478	6,371	111,429,245

(b) Carrying value of property plant and equipment of The Greens The Entrance

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

Poker Machines held at The Greens The Entrance 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 Greens The Entrance's building and plant and equipment have been fully impaired, with an impairment loss of \$2,471,405 recognised in the Statement of Profit or Loss and Other Comprehensive Income in the 30 June 2021 financial year.

11 Intangible Assets

	2021	2020
	\$	\$
NON-CURRENT		
626 (2020: 626) Purchased poker machine entitlements, at cost	13,673,593	13,673,593

The Club has a total of 1,111 (2020: 1,111) 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.

Mingara Recreation Club Limited

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Notes to the Financial Statements For the Year Ended 30 June 2021

11 Intangible Assets (cont'd)

(a) Reconciliation

	2021	2020
	\$	\$
Poker Machine Entitlements		
Balance at the beginning of the year	13,673,593	10,597,131
Additions - purchased	-	1,201,462
Additions through amalgamation	-	1,875,000
Total	13,673,593	13,673,593

12 Trade and Other Payables

CURRENT

Trade payables	2,147,566	2,889,895
Goods and services tax payable	288,031	407,175
Sundry payables and accrued expenses	2,973,752	5,975,810
Amounts received in advance	127,932	117,272
	5,537,281	9,390,152

13 Borrowings

CURRENT

Bank loans	12,725,000	4,675,000
Other financial liabilities	893,515	389,007
	13,618,515	5,064,007

NON-CURRENT

Bank loans	8,750,000	21,575,000
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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.

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Notes to the Financial Statements For the Year Ended 30 June 2021

14 Provisions

	2021	2020
	\$	\$
CURRENT		
Employee entitlements	4,002,042	3,814,820
Link Jackpots and Bonus Points	3,910,801	3,132,512
	<u>7,912,843</u>	<u>6,947,332</u>
NON-CURRENT		
Employee entitlements	<u>421,351</u>	346,981

	Employee entitlements	Link Jackpots and Bonus Points	Total
	\$	\$	\$
Opening Balance at 1 July 2020	4,161,801	3,132,512	7,294,313
Additional provisions	1,735,093	5,064,981	6,800,074
Provisions used	(1,473,501)	(4,286,692)	(5,760,193)
Balance at 30 June 2021	<u>4,423,393</u>	<u>3,910,801</u>	<u>8,334,194</u>

15 Tax

(a) Deferred Tax Assets

Revenue tax losses at 30% (2020: 30%)	462,859	876,225
Timing differences at 30% (2020: 30%)	737,331	1,112,513
	<u>1,200,190</u>	<u>1,988,738</u>

(b) Deferred Tax Liabilities

Timing differences at 30% (2020: 30%)	<u>3,542,804</u>	2,892,487
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Notes to the Financial Statements For the Year Ended 30 June 2021

15 Tax (cont'd)

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

	Assets		Liabilities		Total	
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
Land	-	-	(2,223,972)	(2,223,972)	(2,223,972)	(2,223,972)
Springwood Sports Club land	-	-	(365,463)	(365,463)	(365,463)	(365,463)
Right of use asset	-	-	(128,879)	(156,751)	(128,879)	(156,751)
Property, plant and equipment	362,591	392,345	-	-	362,591	392,345
Buildings	-	269,906	(824,490)	-	(824,490)	269,906
Employee benefits	175,409	244,303	-	-	175,409	244,303
Lease liability	133,247	158,834	-	-	133,247	158,834
Trade & other payables	66,084	47,125	-	-	66,084	47,125
DTL on amalgamation	-	-	-	(146,225)	-	(146,225)
Tax losses	462,859	876,225	-	-	462,859	876,225
Prepayments	-	-	-	(16)	-	(16)
Total	1,200,190	1,988,738	(3,542,804)	(2,892,427)	(2,342,614)	(903,689)

(d) Movement in temporary difference during the year

	Balance	Recognised	Closing
	1 July 2020		Balance
	\$	\$	\$
Land	(2,223,972)	-	(2,223,972)
Springwood Sports Club land	(365,463)	-	(365,463)
Right of use asset	(156,751)	27,872	(128,879)
Property, plant and equipment	392,345	(29,754)	362,591
Buildings	269,906	(1,094,396)	(824,490)
Employee benefits	244,303	(68,894)	175,409
Lease liability	158,834	(25,587)	133,247
Trade & other payables	47,125	18,959	66,084
DTL on amalgamation	(146,225)	146,225	-
Tax losses	876,225	(413,366)	462,859
Prepayments	(16)	16	-
	(903,689)	(1,438,925)	(2,342,614)

16 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.

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Notes to the Financial Statements For the Year Ended 30 June 2021

17 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:

	2021	2020
	\$	\$
Financial Assets		
<i>Held at amortised cost</i>		
Cash and cash equivalents	23,156,136	11,008,102
Trade and other receivables	123,376	1,335,837
Total financial assets	23,279,512	12,343,939
Financial Liabilities		
<i>Held at amortised cost</i>		
Goods and services tax payable	288,031	407,175
Sundry payables and accrued expenses	2,973,752	5,975,810
Trade payables	2,147,566	2,889,895
Borrowings	22,368,515	26,639,007
Total financial liabilities	27,777,864	35,911,887

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 \$4,498,352 between the financial liabilities and financial assets held by the Club at 30 June 2021, this is not expected to create cash flow issues.

Mingara Recreation Club have utilised triannual commercial bill funding as a means to benefit from lower interest rate fees and increased flexibility, and use of a redraw facility.

18 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.

19 Key Management Personnel Disclosures

The totals of remuneration paid to the key management personnel of the Club during the year is \$2,022,932 (2020: \$1,629,690).

Mingara Recreation Club Limited

ABN: 81 001 662 648

Notes to the Financial Statements

For the Year Ended 30 June 2021

20 Contingencies

Contingent asset - Insurance claim

On 2 March 2020 a fire occurred at The Greens The Entrance. A progress claim for damages from the fire of \$4 million has been received during the 2021 financial year and recorded as other income in the 30 June 2021 Statement of Profit or Loss and Other Comprehensive Income.

The Club's Insurers are still in the process of finalising the final value of insurance proceeds to be received at the date of this report. 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.

	2021	2020
	\$	\$
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.

21 Review of COVID-19 impact on continuing operations

On Saturday 26th June 2021, the Government updated the public health order in respect to the coronavirus pandemic which resulted in the Club being required to close. These restrictions remain in place at the date of this financial report, except for The Westport Club which was able to reopen on 11 September 2021. The ability for the other Clubs to re-open is dependent on when the Government lifts the current restrictions. Despite the period of non-trading and uncertainty over reopening, the directors have performed an assessment of the Club's financial position and have determined that the Club has sufficient assets to meet its current obligations as they fall due. The Club will continue to apply for available Government stimulus grants to benefit the Club and its employees.

22 Events after the end of the Reporting Period

The Westport Club temporarily closed operations on 14 August 2021 in line with the NSW Public Health Order. The Club reopened again on 11 September 2021.

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.

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Directors' Declaration

The Directors of the Club declare that:

1. The financial statements and notes, as set out on pages 10 to 31, 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 2021 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 A Walker



Director Ian Robilliard, OAM

Dated September 28, 2021

Tumbi Umbi, NSW