

Strathfield Recreation Club Limited

ABN: 67 000 001 178

Financial Statements

For the Year Ended 30 September 2019

Strathfield Recreation Club Limited

ABN: 67 000 001 178

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For the Year Ended 30 September 2019

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Strathfield Recreation Club Limited

ABN: 67 000 001 178

Directors' Report

30 September 2019

The directors present their report on Strathfield Recreation Club Limited (the Club) for the financial year ended 30 September 2019.

Directors

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

Names	Appointed / Resigned
KING, Graham	
LOW, Philip	Resigned 24 February 2019
BOW, Robert	
HART, Daryl	
PADD, Mark	
KELLY, Christopher	
SORAL, Dharendra	Resigned 24 February 2019
TAMANG, Mrigesh	Appointed 24 February 2019
JAMES, Rod	Appointed 24 February 2019

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

Principal activities

The principal activity of Strathfield Recreation Club Limited during the financial year was to provide members and their guests with the amenities and facilities enabling them to enjoy tennis, futsal and indoor social and recreational activities

The following significant changes in the nature of the principal activities occurred during the financial year:

- To progress the extensive upgrading of the club's buildings and grounds; and
- To implement new minimum Tennis NSW coaching standards to be met by all coaches operating at the club.

Short term objectives

During the past year our focus has been to carry out the upgrade works safely with the least disruption to members and their guests. As we move forward during the next 12 months we see the priorities to be:

- To steadily and systematically accumulate capital so as to be in a position to pay off the current debt within the next few years. We are confident that this can be readily achieved if current revenues continue;
- To seek development approval from Burwood council to allow the Club to provide additional parking where the current maintenance sheds stand;
- To set about converting the grass court area to synthetic surface and install lighting;
- To fine tune the organisation of internal tennis competitions within the Club, including the development of an early morning competition; and
- To endeavour to attract more female members to play tennis for the Club.

Strathfield Recreation Club Limited

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Directors' Report

30 September 2019

Long term objectives

Over the next five years the Board plans to:

- Continue to operate successfully keeping abreast of changing economic, social and legislative conditions as we fully repay our present bank loan;
- Develop and present to members a five to ten year strategic plan setting out long term opportunities and goals;
- Replace grass courts with an artificial playing surface;
- Strive to increase female tennis membership and board participation; and
- Introduce subsidised coaching arrangements for members.

Strategy for achieving the objectives

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

- Keep abreast of all issues that affect trading conditions, review selected new opportunities and seek ways to maximise use of the Clubs facilities;
- Present to members a 5 year strategic plan for their consideration and approval that will guide future investments and development opportunities;
- Improve and maintain all facilities to meet the needs of members as we continue to grow;
- Capturing the club's rich tennis heritage and we will enhance awareness and our tennis credentials by trailing co-hosted sanctioned tennis events;
- Execute new member recruitment campaigns and member coaching strategies aiming particularly to increase female tennis membership and successful Badge participation;
- Train and develop staff and Board members to meet future needs and operating demands; and
- Adoption of state of the art business software to stay at the forefront of club administration which includes integrated systems such as membership, boom gates and rewards points.

Information on directors

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

KING, Graham

Qualifications

B.Engineering (USYD), GradDip Power Engineering (USYD), GradDip Business (UCQ), Cert IV Res Building Construction

LOW, Philip

Qualifications

Administration/Financial Accountant, B.Economics (MU)

BOW, Robert

Qualifications

B.Build (QS), B.Sc(Arch), B.Arch (hons), [UNSW], A.R.A.I.A

Special responsibilities

President

HART, Daryl

Qualifications

IT Portfolio Manager, Senior Project Manager, Prince 2 Certified

Special responsibilities

Vice President, Tennis Committee

PADD, Mark

Qualifications

B.Pharmacy

Special responsibilities

Vice President, Tennis Committee

Strathfield Recreation Club Limited

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Directors' Report

30 September 2019

Information on directors

KELLY, Christopher

Qualifications

Retired, Fellow Certified Practicing Accountant, Fellow member of Chartered Secretaries, Managers and Administrators

SORAL, Dharendra

Qualifications

MBA (MGSM), CPA (ASA)

TAMANG, Mrigesh

Qualifications

Master of Geotechnical Engineering (MEng), Bachelor of Engineering (BEng), Members of Australian Institute of Engineers (MIEAUST)

JAMES, Rod

Qualifications

Dipp in Jazz studies, cert in Electronics Trade, Open Cabling License

Members guarantee

Strathfield 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 members and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$6 subject to the provisions of the company's constitution. At 30 September 2019 the collective liability of members was \$34,974 (2018: \$8,670).

Meetings of directors

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

	Directors' Meetings	
	Number attended	Number eligible to attend
KING, Graham	11	12
LOW, Philip	4	5
BOW, Robert	11	12
HART, Daryl	12	12
PADD, Mark	12	12
KELLY, Christopher	11	12
SORAL, Dharendra	0	5
TAMANG, Mrigesh	7	7
JAMES, Rod	6	7

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 September 2019 has been received and can be found on page 4 of the financial report.

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

Director

Date

22/1/20

DARYL HART

Director

Date

22/1/20

MARK PADD

Strathfield Recreation Club Limited
ABN: 67 000 001 178

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 To the Directors of Strathfield Recreation Club Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 September 2019, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



PKF



SCOTT TOBUTT
PARTNER

22 JANUARY 2020
SYDNEY, NSW

Strathfield Recreation Club Limited

ABN: 67 000 001 178

**Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 September 2019**

	Note	2019	2018
		\$	\$
Revenue			
Revenue from ordinary activities	2	5,578,530	5,434,949
Expenses			
Raw materials and consumables used		(640,867)	(655,201)
Employee benefits expense	3	(1,082,603)	(989,203)
Depreciation, amortisation and impairment	3	(384,154)	(357,582)
Borrowing costs	3	(163,999)	(6,766)
Other operating expenses	3	(2,341,367)	(2,289,355)
Profit before income tax		965,540	1,136,842
Income tax expense	1 (l)	-	-
Profit for the year		965,540	1,136,842
Other comprehensive income:			
Net fair value movement in property		9,407,543	-
Total comprehensive income for the year		10,373,083	1,136,842

The accompanying notes form part of these financial statements.

Strathfield Recreation Club Limited

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Statement of Financial Position**As At 30 September 2019**

	Note	2019 \$	2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	1,158,534	1,903,179
Trade and other receivables	5	35,901	25,218
Inventories	6	14,458	18,948
Other assets	7	95,299	61,637
TOTAL CURRENT ASSETS		1,304,192	2,008,982
NON-CURRENT ASSETS			
Property, plant and equipment	9	41,624,622	27,995,320
Intangible assets	8	831,050	951,050
TOTAL NON-CURRENT ASSETS		42,455,672	28,946,370
TOTAL ASSETS		43,759,864	30,955,352
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	210,827	179,434
Borrowings	11	391,768	1,497,280
Employee benefits	12	92,461	72,834
Other liabilities	13	81,477	95,556
TOTAL CURRENT LIABILITIES		776,533	1,845,104
NON-CURRENT LIABILITIES			
Borrowings	11	3,500,000	-
TOTAL NON-CURRENT LIABILITIES		3,500,000	-
TOTAL LIABILITIES		4,276,533	1,845,104
NET ASSETS		39,483,331	29,110,248
EQUITY			
Reserves	14	30,302,689	20,895,146
Retained earnings		9,180,642	8,215,102
TOTAL EQUITY		39,483,331	29,110,248

The accompanying notes form part of these financial statements.

Strathfield Recreation Club Limited

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Statement of Changes in Equity
For the Year Ended 30 September 2019

	Retained Earnings	Reserves	Total
	\$	\$	\$
Balance at 1 October 2018	8,215,102	20,895,146	29,110,248
Profit for the year	965,540	-	965,540
Revaluation increment	-	9,407,543	9,407,543
Balance at 30 September 2019	9,180,642	30,302,689	39,483,331
Balance at 1 October 2017	7,078,260	20,895,146	27,973,406
Profit for the year	1,136,842	-	1,136,842
Balance at 30 September 2018	8,215,102	20,895,146	29,110,248

The accompanying notes form part of these financial statements.

Strathfield Recreation Club Limited

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Statement of Cash Flows For the Year Ended 30 September 2019

	2019	2018
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	6,112,332	5,955,127
Payments to suppliers and employees	(4,562,735)	(4,022,347)
Interest received	11,182	27,235
Finance costs	(163,999)	(6,766)
Net cash provided by operating activities	1,396,780	1,953,249
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant & equipment	(551,241)	(263,929)
Capitalised expenditure for redevelopment	(3,934,672)	(5,142,837)
Net cash used in investing activities	(4,485,913)	(5,406,766)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from borrowings	2,344,488	1,499,041
Net cash provided by financing activities	2,344,488	1,499,041
Net decrease in cash and cash equivalents held	(744,645)	(1,954,476)
Cash and cash equivalents at beginning of year	1,903,179	3,857,655
Cash and cash equivalents at end of financial year	4 1,158,534	1,903,179

The accompanying notes form part of these financial statements.

Strathfield Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 September 2019

The financial statements are for Strathfield Recreation Club Limited as an incorporated individual entity incorporated and domiciled in Australia. Strathfield Recreation Club is a registered Club limited by guarantee.

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

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

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated. Comparatives are consistent with prior years, unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) New or Amended Accounting Standards and Interpretations Adopted

Financial Instruments - Adoption of AASB 9

The Club has adopted all of the new or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Club.

The following Accounting Standards and Interpretations are most relevant to the Club:

AASB 9 Financial Instruments

The Club has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.

All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires a portion of the change in fair value that relates to the entity's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' model to recognise an allowance. Impairment is measured using a 12-month expected credit loss method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime expected credit loss method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

Notes to the Financial Statements

For the Year Ended 30 September 2019

1 Summary of Significant Accounting Policies (cont'd)

(c) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

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

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

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

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

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the reporting date and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

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

(d) Inventories

Inventories are measured at the lower of cost and net realisable value.

(e) Property, Plant and Equipment

Classes of property, plant and equipment are measured using the cost or revaluation model as specified below.

Plant and equipment and buildings are measured using the cost model and land is measured using the revaluation model.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Assets measured using the revaluation model are carried at fair value at the revaluation date less any subsequent accumulated depreciation and impairment losses. Revaluations are performed whenever there is a material movement in the value of an asset under the revaluation model.

Depreciation

The depreciable amount of all property, plant and equipment, except for freehold land is depreciated on a straight-line method from the date that management determine that the asset is available for use. Land is not depreciated.

Notes to the Financial Statements

For the Year Ended 30 September 2019

1 Summary of Significant Accounting Policies (cont'd)

(e) Property, Plant and Equipment (cont'd)

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

Fixed asset class	Depreciation rate
Buildings	2 - 20%
Plant and Equipment	2.5 - 50%
Motor Vehicles	12%

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.

Future capital improvements are capitalised within property, plant and equipment, capital works in progress. When development is completed, the asset will be transferred to plant and equipment. No depreciation is charged during the development phase.

(f) Intangible Assets

Poker machine entitlements

Poker machine entitlements are initially recorded at cost. Poker machine entitlements have an indefinite life and are tested annually for impairment and carried at cost less any accumulated amortisation and impairment losses.

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is stated after separate recognition of identifiable intangible assets and is carried at cost less accumulated impairment losses.

(g) 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.

Notes to the Financial Statements

For the Year Ended 30 September 2019

1 Summary of Significant Accounting Policies

(g) Financial instruments (cont'd)

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

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 assets are more than 90 days past due.

Notes to the Financial Statements

For the Year Ended 30 September 2019

1 Summary of Significant Accounting Policies

(g) Financial instruments (cont'd)

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.

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.

(h) 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.

(i) Employee benefits

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 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 twelve months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Notes to the Financial Statements

For the Year Ended 30 September 2019

1 Summary of Significant Accounting Policies

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(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).

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.

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

(l) Income Tax

No provision for income tax has been raised as the Club is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*.

(m) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Club during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(n) Leases

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

(o) Critical accounting estimates and judgments

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

Key estimates - impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Notes to the Financial Statements

For the Year Ended 30 September 2019

1 Summary of Significant Accounting Policies

(o) Critical accounting estimates and judgments

Key estimates - Income tax exempt status

The Directors of the Club have self-assessed their ongoing exemption from income tax at 30 September 2019, as a Sporting Club in accordance with Section 5045 of the Income Tax Assessment Act 1997.

Key estimates - fair value of land

The Club carries its land at fair value with changes in the fair value recognised in revaluation reserve. Independent valuations are obtained triennially. At the end of each reporting period the directors update their assessment of the fair value of land, taking into account the most recent valuations and movements in the market.

An independent valuation of freehold land situated at 4a Lyons Street, Strathfield NSW 2135 was undertaken by LMW valuers on the 8th of November 2019, resulting in a fair value adjustment of \$9,407,543 being recognised as other comprehensive income in the 2019 financial year. Whilst the valuation occurred subsequent to year end, the directors have resolved to adopt the valuer's independent valuation at 30 September 2019, as the key assumptions adopted by the Independent Valuer are indicative of conditions that existed at financial year end 30 September 2019.

Key assumptions applied by the Independent Valuer to determine the highest and best use of the Club's land included market evidence of recent sales and current zoning restrictions.

Strathfield Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 September 2019

2 Revenue and Other Income

	2019	2018
	\$	\$
Revenue from continuing operations attributable to operating activities:		
- Membership and subscriptions	156,854	90,293
- Bar sales	1,479,199	1,370,413
- Poker machine clearance (net of payouts)	3,110,725	3,215,035
- Rental revenue	75,328	50,043
- Golden Goal revenue	439,091	394,591
- Other sales revenue	306,151	272,339
	<u>5,567,348</u>	<u>5,392,714</u>
Other income		
- Government grants	-	15,000
- Interest received	11,182	27,235
	<u>11,182</u>	<u>42,235</u>
	<u>5,578,530</u>	<u>5,434,949</u>

Strathfield Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 September 2019

3 Result for the Year

The result for the year includes the following specific expenses:

	2019	2018
	\$	\$
Depreciation & impairment:		
Depreciation of buildings	50,475	70,723
Depreciation of plant and equipment	213,679	166,859
Impairment of intangibles - Golden Goal	120,000	120,000
	<u>384,154</u>	<u>357,582</u>
Borrowing costs:		
Interest on Loan	163,999	6,766
Employee benefits expense:		
Salary and employee benefit expense	970,948	883,769
Contributed superannuation	79,453	77,056
Other employment costs	32,202	28,378
	<u>1,082,603</u>	<u>989,203</u>
Other operating expenses:		
Accounting and auditing	44,641	46,230
Advertising and promotions	50,342	14,632
Bank fees and charges	91,217	77,387
Cleaning and rubbish removal	40,168	36,925
Computer expenses and Internet expenses	40,466	21,126
Consulting expense and legal	12,085	11,259
Donations and community support program	220,206	153,000
Event and function expenses	71,736	32,542
General and administration	23,386	15,721
Hire/rent of plant and equipment	107,534	42,676
Insurances	80,513	64,426
Keno and TAB expenses	6,840	6,691
Materials and supplies	168,497	90,798
Light, power and rates	115,025	81,975
Other administration charges	216,683	154,635
Poker machine tax	498,283	550,312
Registration and subscriptions	11,674	15,861
Repairs and maintenance	228,041	188,641
Security	255,719	180,879
Subscriptions	47,205	50,972
Telephone and internet	11,106	11,093
Asset write offs	-	441,574
	<u>2,341,367</u>	<u>2,289,355</u>

Strathfield Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 September 2019

4 Cash and cash equivalents

	2019	2018
	\$	\$
Cash on hand	212,240	165,804
Cash at bank	946,294	1,737,375
	<u>1,158,534</u>	<u>1,903,179</u>

5 Trade and other receivables

CURRENT		
Trade receivables	<u>35,901</u>	25,218

6 Inventories

CURRENT		
Stock on hand, at cost	<u>14,458</u>	18,948

7 Other Assets

CURRENT		
Prepayments	<u>95,299</u>	61,637

8 Intangible Assets

Goodwill		
At cost	(a) 600,000	600,000
Accumulated impairment	<u>(240,000)</u>	<u>(120,000)</u>
	<u>360,000</u>	<u>480,000</u>
Poker machine entitlements		
At cost	471,050	471,050
Accumulated amortisation and impairment	-	-
	<u>471,050</u>	<u>471,050</u>
	<u>831,050</u>	<u>951,050</u>

(a) Goodwill

On the 26th of October 2016, the Club purchased the "Golden Goal" business for \$750,000. The Club also entered into a licence agreement with Golden Goal Pty Limited on 31 October 2016 for the use of the brand and operating systems at the Club for a term of 5 years. Identifiable assets included in the purchase price were valued at \$150,000 with a remaining \$600,000 classified as goodwill.

Management has performed an impairment assessment on the goodwill at 30 September 2019, with an impairment of \$120,000 recognised.

Strathfield Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 September 2019

9 Property, plant and equipment

	2019	2018
	\$	\$
LAND AND BUILDINGS		
Freehold land		
At independent valuation	30,000,000	20,592,457
Buildings		
At cost	10,998,496	1,079,456
Less accumulated depreciation	(343,482)	(328,792)
	10,655,004	750,664
Future capital improvements		
At cost	21,716	5,880,682
Plant and equipment		
At cost	1,591,608	1,208,272
Accumulated depreciation	(643,707)	(436,755)
	947,901	771,517
	41,624,622	27,995,320

Movements in Carrying Amounts

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

	Land	Buildings	Future Capital Improvements	Plant and Equipment	Total
	\$	\$	\$	\$	\$
Year ended 30 September 2018					
Balance at the beginning of year	20,592,457	750,664	5,880,682	771,517	27,995,320
Additions	-	139,158	3,934,672	412,083	4,485,913
Transfers	-	9,793,638	(9,793,638)	-	-
Depreciation	-	(28,456)	-	(235,698)	(264,154)
Revaluation increase recognised in equity	9,407,543	-	-	-	9,407,543
Balance at the end of the year	30,000,000	10,655,004	21,716	947,902	41,624,622

Future capital improvements

Future capital improvements relate to expenditure incurred on the refurbishment of the Club premises. The value of future capital improvements are recognised at cost and transferred to buildings on completion of the refurbishment.

Capital improvements at 30 September 2019 consist of tennis courts still under renovation.

Independent valuation of land

An independent valuation of freehold land situated at 4a Lyons Street, Strathfield NSW 2135 was undertaken on the 8th of November 2019, resulting in a fair value adjustment of \$9,407,543 being recognised as other comprehensive income in the 2019 financial year. The independent valuation was carried out by LMW valuers and based on market evidence and current zoning restrictions to determine the highest and best use of the Club's land.

Strathfield Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 September 2019

10 Trade and other payables

	2019	2018
	\$	\$
CURRENT		
Trade payables	130,207	214,246
Payroll accrual	24,178	21,877
GST (receivable) / payable	56,442	(56,689)
	<u>210,827</u>	<u>179,434</u>

11 Borrowings

CURRENT		
Unsecured liabilities:		
Other loans	<u>41,768</u>	52,202
Secured liabilities:		
Bank loans	(a) <u>350,000</u>	1,445,078
	<u>391,768</u>	<u>1,497,280</u>
NON-CURRENT		
Secured liabilities:		
Bank loans	(a) <u>3,500,000</u>	-

Bank loans

Bank loans consist of two commercial bills (\$3,500,000 and \$350,000) totalling \$3,850,000 held with St George Bank. The loans are payable at a variable rate of interest and are secured by the Club's assets (including property) and undertakings.

The \$3,500,000 commercial bill matures in November 2022.

12 Provisions

CURRENT		
Provision for employee benefits	<u>92,461</u>	72,834

	Annual Leave	Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 October 2018	61,711	11,123	72,834
Net movement in additional provisions and amounts used	3,658	15,969	19,627
Balance at 30 September 2019	<u>65,369</u>	<u>27,092</u>	<u>92,461</u>

Strathfield Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 September 2019

13 Other liabilities

CURRENT

	2019	2018
	\$	\$
Advance payments - members subscriptions	72,567	38,596
Advance payments - GST rebates	1,950	50,000
Rental Bond	6,960	6,960
	<u>81,477</u>	<u>95,556</u>

14 Reserves

Asset revaluation reserve - land and buildings	(a) 29,875,000	20,467,457
Asset revaluation reserve - poker machine entitlements	275,000	275,000
Capital profits reserve	152,689	152,689
Total reserves	<u>30,302,689</u>	<u>20,895,146</u>

(a) Asset revaluation reserve

The asset revaluation reserve records realised gains on revaluation of property, plant and equipment recorded at fair value.

15 Financial Risk Management

The main risks Strathfield Recreation Club Limited is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk.

The Club's financial instruments consist mainly of deposits with banks, accounts receivable and payable, overdrafts and other loans.

The totals 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:

Financial Assets

Cash and cash equivalents	1,158,534	1,903,179
Trade and other receivables	35,901	25,218

Total financial assets

1,194,435 1,928,397

Financial Liabilities

Trade and other payables	210,827	179,434
Borrowings	3,891,768	1,497,280

Total financial liabilities

4,102,595 1,676,714

Strathfield Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 September 2019

16 Capital and Leasing Commitments

(a) Capital commitments

There are no capital commitments outstanding at the end of the reporting period.

(b) Operating lease

	2019	2018
	\$	\$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	12,638	13,643
- between one year and five years	18,767	-
	<u>31,405</u>	<u>13,643</u>

Operating leases have been taken out for gaming machines and office equipment.

17 Key Management Personnel Disclosures

The total remuneration paid to key management personnel of the Club was \$192,737 (2018: \$172,525).

18 Contingencies

The Club has nil security deposit guarantees held with St George Bank at 30 September 2018 (2018: \$265,100).

19 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.

20 Events Occurring After the Reporting Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Club, the results of those operations or the state of affairs of the Club in future financial years.

21 Company Details

The registered office of and principal place of business of the club is:

Strathfield Recreation Club Limited
4a Lyons Street
Strathfield NSW 2135

Strathfield Recreation Club Limited

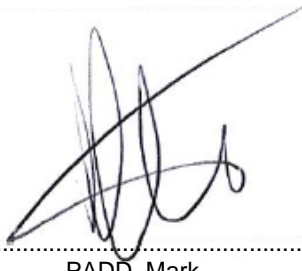
ABN: 67 000 001 178

Directors' Declaration

The directors of the Club declare that:

1. The financial statements and notes, as set out on pages 5 to 22, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards - Reduced Disclosure Requirements; and
 - b. give a true and fair view of the financial position as at 30 September 2019 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
PADD, Mark



Director
HART, Daryl

Dated 22 / 11 / 20

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF

STRATHFIELD RECREATION CLUB LIMITED

Report on the Audit of the Financial Report

Opinion

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

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

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the 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* (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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of 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 have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Club's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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, related safeguards.



PKF



SCOTT TOBUTT
PARTNER

22 JANUARY 2020
SYDNEY, NSW