

Strathfield Recreation Club Limited

ABN: 67 000 001 178

Financial Statements

For the Year Ended 30 September 2020

President's Report

Over the past 5 years I have been able to report to members ever improving annual results. Although these results indicated progress in all facets of club activities, that great success was achieved in good times. The true success of our club though is not how it has performed in good times but how it copes and survives in difficult times.

This past year has presented unprecedented operating conditions that have tested the character and resilience of our Club administration and its membership. Thus, in many ways this past year has been hugely successful for the Club as it has not only survived the forces of the Covid 19 restrictions but it has come out the other end to again thrive.

At the beginning of the pandemic, last year, the Board held an emergency meeting to discuss the possible ramifications and how we could financially survive the impending lock down, while preserving the jobs of staff and business partners. A defensive agenda based on the priorities of public health safety was adopted while at the same time planning for a bounce back when the clouds cleared.

The skill of the Club management, the flexibility of our business partners, the cooperation of staff and the loyalty of the members allowed the Board to ensure that even during the pandemic the Club could survive and continue to progress and improve.

In the tenure of the Board, despite difficult trading conditions, despite constantly changing government regulations and despite social distancing the Club has been able to provide the following advances in Club amenities and services.

- The resurfacing of four existing tennis courts
- The correction of Court Drainage problems
- General paving and landscaping maintenance
- The resurfacing of the futsal Courts
- The completion of external signage to both street frontages

Perhaps the most difficult aspect of dealing with the Covid 19 influence has been adjusting Club regulation to cater for the increased popularity of our tennis courts. The Board was forced to introduce new rules to maintain fair court access to all members. The decisions to cap membership and to ration hours on court was a difficult one however, it was necessary to alleviate tensions that were building within the club.

In addition to the ensuring improved Club amenity the Board was able to ensure:

- Monies were invested to allow early pay off of Club loan as per schedule
- Gaming machine licences were increased from 26 to 40
- Gaming machines were upgraded
- Staffing increased to provide better security and hygiene control
- The part introduction of automatic court booking system.
- Grants were applied for to cover part cost of new tennis court surfacing
- All Board members completed director training courses
- Production of a Charter to define the scope and functioning of tennis committee
- Production of a Directors Handbook defining the scope of Directors' function

In looking to the future, the Board has also ensured that the following proposed works have either been planned or received approval and will be ready for the new incoming Board to follow through with should they chose to do so:

- Development approval to proceed with new increased parking off Lyons Street
- New synthetic grass courts (2) with artificial lighting to current grass court area
- Feasibility /approval to proceed with solar panels to reduce costs of power supply
- Part glazing enclosure to existing alfresco space
- Planning / feasibility work to fully utilize potential of the upper-level function space

While the Board was able to continue progressing facilities and services at the Club it also made sure the Club fulfilled its obligations to provide financially to community organisations. In fact, after the bushfires of 12 months ago the club and its members donated an additional \$55000 to support families of fire fighters who were killed while fighting the flames.

The coming year will again bring challenges and opportunities for the next Board to direct on behalf of members these would include:

- Renegotiate various contracts and leases with the Club's business partners.
- Strengthen the tennis committee by making it more representative and effective.
- Continuing to guide the club through the pandemic times.
- Ensure continuance of good governance in an era of rapidly changing regulations
- Further expand and coordinate the internal tennis competitions.
- Hosting more external tennis competitions.
- Increasing Badge team numbers

The upcoming Annual General Meeting (AGM) represents the end of the current Board of Director's two-year tenure at Strathfield Sports Club. The period has seen the Club's finances, assets and services increase significantly due to the conscientious, and conservative following of a clear vision. The vision, which the Board received a mandate to follow two years ago has resulted in the Club buildings, courts and grounds being upgraded and maintained to the highest of standards. Additionally, the vision of promoting and expanding the sport of tennis has seen tennis membership thrive, badge team numbers increase and a very successful Club championship being held in 2019. The key to continuing the successful progress of the Club is for an incoming Board to present a clear statement of what their vision is and to seek the membership's approval at the AGM to follow that vision.

The present Board of Directors has given considerable thought to defining the vision it thinks is appropriate for the next Board to adopt and it is summarised in the list below

- To alleviate the on-going parking problems at peak times.
- To optimise tennis court use and player numbers.
- To continue to accrue cash savings to pay off the Club's debt well ahead of schedule.
- To maintain the high standards of the present facilities and services.
- To develop a detailed masterplan for setting a course for future improved facilities.

All the challenging work and the impressive achievements of the Club in the past 12 months have been due to the hard work by staff, the respectful loyalty of the membership and the professional direction of Chris Dunn our general Manager.

Finally, I express my appreciation to the outgoing Board for their dedicated efforts in guiding the Club through very difficult times. Their generous offering of their time and professional expertise has been greatly valued.

Bob Bow
President

General Managers Report

It is with mixed emotions that I present to you the General Managers Report for 2020.

Where do we start. March 23rd, 2020 will be forever etched in the memories of everyone in the club industry. For the first time in the history of NSW clubs, Strathfield Sports Club and every other club in Australia were ordered by the Federal Government to close down its operations with less than 24 hours notice. For how long, well nobody knew. There were plenty of questions left unanswered, and over the course of the coming weeks things would become clearer.

COVID-19 had changed life as we knew it. An emergency meeting was called by the Board of Directors to discuss the ramifications of an extended closure and what impact it would have on our staff, our members, contractors and the local community. Financial projections were put together based on a number of different scenarios to ensure the club was well prepared to manage this crisis, no matter how long this would be.

Fortunately, we were given permission to resume sporting operations, given in a limited capacity which allowed the clubs membership an outlet for sport, recreation, exercise and more importantly a way to stay connected with friends. Court usage boomed during this period with membership relishing the opportunity to get on court and forget about what was happening in the world around us.

The club however was closed for a period of nine weeks which equates to approximately 18% of the year. Unfortunately, despite being closed, this did not mean that the club did not incur expenses. The club had to ensure we could service our loan facility, pay any outstanding liabilities, pay any staff entitlements and keep up the general maintenance of the club.

Our Caterer was able to continue to offer a take away and home delivery service, which allowed part of the club to stay open and more importantly stay accessible to other parts of the membership.

Despite the challenges that 2020 has presented, Strathfield Sports Club has continued to thrive. The club posted an operating profit of \$1,328,672 (**2019**: \$1,349,649) before a depreciation and amortisation expense of \$960,834 (**2019**: \$384,154), resulting in profit of \$367,838. With the completion of the \$9.7mill refurbishment in 2018/2019, it became necessary for the club to capitalise this cost over the expected life. This will result in a significant increase in our depreciation expense over the coming years. Despite this being a non-cash item, it is a significant one, and one that must be recognised in the financial accounts.

The club was fortunate to secure Government support through the Job Keeper program resulting in funding of \$250,500 and a further \$15,250 in other grants. This allowed us to keep all staff gainfully employed during the pandemic. Staff were given a range of different jobs during this period, including pro shop, reception, general maintenance and any other works required around the club. All staff were more than happy to get in and do what was required around the place, just thankful to have a job.

As outlined in the Presidents report, the club was able to continue with its capital works program, support local charities and most importantly we were able to reduce our debt exposure. At the conclusion of the club refurbishment, the club had a \$3.5 million debt. The threat of an extended closure, put at risk our ability to repay this loan in a timely fashion. Despite the disruptions of COVID,

we have managed to put aside \$1.5 million in investments which will allow us to reduce the loan balance when it falls due.

A summary of trade for 2020 is the following:

- Total Revenue of \$5,294,847, (**2019:** \$5,578,530), down \$283,683 or 5%.
- Bar Sales of \$1,338,205, (**2019:** \$1,479,199), down \$140,994 or 9%.
- Poker Machine Revenue of \$2,838, 145(**2019:** \$3,110,725), down \$272,580, or 9%.
- Golden Goal Revenue of \$352,877 (**2019:** \$439,091) down \$86,214 or 19%
- Membership revenue of \$139,434 (**2019:** \$156,854) down \$17,420 or 11%

With the ever-looming threat of the COVID-19 still amongst, the club continues to trade under adverse continues. Social distancing has reduced club capacities, government regulation continues to place more onerous conditions on club trade. The focus on compliance has resulted in additional staffing costs, extra cleaning and security services and other additional compliance costs. Despite this the club is bucking the trend of much of the industry and continues to trade profitably.

A huge thank you to all the staff. It has been an extremely challenging year, but staff have stood up to any adversities and continued to work as a united team, showing high levels of commitment, dedication and positivity while navigating the unknown which has formed part of our daily life.

Ivan and the Pro Shop staff continue to be an asset to the club, providing high levels of service to our members. The staff have had the difficult job of managing constant changes in policy, necessary based on advice received from NSW health and our affiliated bodies, ensuring that our members can continue to enjoy the benefits that membership has to offer.

The Board continues to work tirelessly for its members. The last year has been one of the most challenging years in the club's history. The Board has had to adapt, change and make quick decisions on a daily basis with the health and safety of our members paramount. With us yet to see the light in 2021, the Board continues to manage its way through this crisis in a professional manner with careful consideration of our members, staff and all other stakeholders. They should be commended on the fantastic job done to date.

Finally, thank you to all the members. The continued patronage and support of the club and its staff will ensure we survive this pandemic and come out the other side, a bigger, better and stronger club. We are committed to ensuring a safe and enjoyable experience for all members and guests and ask that you continue to co-operate with staff and follow their instructions at all times.

Until then, let's stay safe, stay aware and stay open.

Chris Dunn
General Manager

Strathfield Recreation Club Limited

ABN: 67 000 001 178

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Strathfield Recreation Club Limited

ABN: 67 000 001 178

Directors' Report

30 September 2020

The directors present their report on Strathfield Recreation Club Limited (the Club) for the financial year ended 30 September 2020.

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	
BOW, Robert	
HART, Daryl	
PADD, Mark	
KELLY, Christopher	Resigned 25 January 2020, Appointed 24 June 2020
TAMANG, Mrigesh	
JAMES-BLAND, Rod	

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 priority of Strathfield Recreation Club over the past financial year was to ensure the survival of the club and its membership during the days of lockdown resulting from the Covid 19 pandemic restrictions. The changes forced upon the Club due to the lockdown and the pandemic were many and far reaching.

The club was closed for many weeks running on skeleton staff with no sports, social dining or gaming activities operating. The priority of the Board was to adopt a survival mode that best protected the staff jobs and best preserved the club finances. All short-term goals were subservient to survival.

The last few months of the financial year saw the Club return to some normality but with some limitations on dining, gaming and beverage services. At the end of the financial year the Club was trading well and was close to record levels.

Short term objectives

After such a huge upheaval in our society due the pandemic the short-term objectives of the Board have been, by necessity prudent and conservative. The short-term objective is to ensure the Club emerges from the effects of the pandemic in the best manner possible. Tennis membership remains capped and a more representative tennis committee put in place to promote tennis and better communicate with members. An online booking system is being finalised with revised access conditions designed to provide fairer court availability for all members.

Strict Covid laws will continue to be enforced to ensure all visitors, staff and members are kept safe while on Club premises. These laws are restrictive and we ask that members and guests be understanding and support staff as they carry out their duties.

It is expected that, subject to available funding, the Club will proceed to redevelop the existing grass court and carpark into more useful facilities now that development approval has been obtained from Council.

Strathfield Recreation Club Limited

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Directors' Report

30 September 2020

Long term objectives

The Board sees the following as the long-term goals to be achieved:

- Pay off debt for recent construction works;
- Discuss, develop and implement a 10-year masterplan to ensure that future development and improvements to the Club are carried out efficiently and conservatively;
- Build on female tennis membership numbers to achieve a more natural balance of membership and participation;
- Organise a wider range of tournaments once the grass courts are converted to synthetic grass; and
- Achieve greater interaction with existing and new partners to promote wider social, sporting and community involvement.

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, we will enhance awareness and our tennis credentials by trialing 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.

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), Dip Power Engineering (USYD), Dip Business, Cert IV Res Building Construction
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
KELLY, Christopher	
Qualifications	Retired, Fellow Certified Practicing Accountant, Fellow member of Chartered Secretaries, Managers and Administrators

Strathfield Recreation Club Limited

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Directors' Report

30 September 2020

Information on directors

TAMANG, Mrigesh

Qualifications

Masters of Geotechnical Engineering (MEng), Bachelor of Engineering (BEng), Member of Australian Institute of Engineers (MIEAUST)

JAMES-BLAND, 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 2020 the collective liability of members was \$67,224 (2019: \$34,974).

Meetings of directors

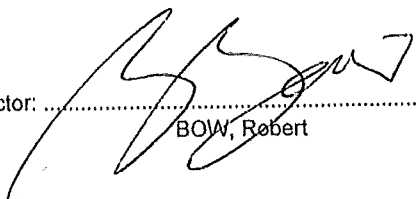
During the financial year, 13 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number attended	Number eligible to attend
KING, Graham	10	13
BOW, Robert	13	13
HART, Daryl	13	13
PADD, Mark	13	13
KELLY, Christopher	8	8
TAMANG, Mrigesh	12	13
JAMES-BLAND, Rod	11	13

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 2020 has been received and can be found on page 4 of the financial report.

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

Director: 
BOW, Robert

Director: 
HART, Daryl

Date: 12/1/21

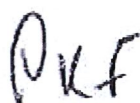
Strathfield Recreation Club Limited

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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 2020, there have been:

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



PKF



KYM REILLY
PARTNER

12 JANUARY 2021
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 2020

	Note	2020 \$	2019 \$
Revenue			
Revenue from ordinary activities	2	5,294,847	5,578,530
Expenses			
Raw materials and consumables used		(603,235)	(640,867)
Employee benefits expense	3	(1,178,953)	(1,082,603)
Depreciation, amortisation and impairment	3	(960,834)	(384,154)
Borrowing costs	3	(169,522)	(163,999)
Other operating expenses	3	(2,014,465)	(2,341,367)
Profit before income tax		367,838	965,540
Income tax expense	1(l)	-	-
Profit for the year		367,838	965,540
Net fair value movement in property		-	9,407,543
Total comprehensive income for the year		367,838	10,373,083

The accompanying notes form part of these financial statements.

Strathfield Recreation Club Limited

ABN: 67 000 001 178

Statement of Financial Position

As At 30 September 2020

	Note	2020 \$	2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	1,658,897	1,158,534
Trade and other receivables	5	65,269	35,901
Inventories	6	39,353	14,458
Other assets	7	83,993	95,299
TOTAL CURRENT ASSETS		1,847,512	1,304,192
NON-CURRENT ASSETS			
Property, plant and equipment	8	41,264,835	41,624,622
Intangible assets	9	879,050	831,050
Right of use asset		202,606	-
TOTAL NON-CURRENT ASSETS		42,346,491	42,455,672
TOTAL ASSETS		44,194,003	43,759,864
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	431,820	210,827
Borrowings		66,899	391,768
Employee benefits	12	103,473	92,461
Other liabilities	13	95,594	81,477
TOTAL CURRENT LIABILITIES		697,786	776,533
NON-CURRENT LIABILITIES			
Borrowings	11	3,645,048	3,500,000
TOTAL NON-CURRENT LIABILITIES		3,645,048	3,500,000
TOTAL LIABILITIES		4,342,834	4,276,533
NET ASSETS		39,851,169	39,483,331
EQUITY			
Reserves	14	30,302,689	30,302,689
Retained earnings		9,548,480	9,180,642
TOTAL EQUITY		39,851,169	39,483,331

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 2020

	Retained Earnings	Reserves	Total
	\$	\$	\$
Balance at 1 October 2019	9,180,642	30,302,689	39,483,331
Profit for the year	367,838	-	367,838
Balance at 30 September 2020	9,548,480	30,302,689	39,851,169
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

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 2020

	2020	2019
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	5,285,247	6,112,332
Payments to suppliers and employees	(3,858,526)	(4,562,735)
Grants and subsidies received	226,750	-
Interest received	870	11,182
Finance costs	(169,522)	(163,999)
Net cash provided by operating activities	<u>1,484,819</u>	<u>1,396,780</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant & equipment	(250,961)	(551,241)
Capitalised expenditure for redevelopment	(215,495)	(3,934,672)
Acquisition of intangible assets	(168,000)	-
Net cash used in investing activities	<u>(634,456)</u>	<u>(4,485,913)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from borrowings	-	2,344,488
Repayment of borrowings	(350,000)	-
Net cash provided by financing activities	<u>(350,000)</u>	<u>2,344,488</u>
Net increase / (decrease) in cash and cash equivalents held	500,363	(744,645)
Cash and cash equivalents at beginning of year	<u>1,158,534</u>	<u>1,903,179</u>
Cash and cash equivalents at end of financial year	4 <u>1,658,897</u>	<u>1,158,534</u>

The accompanying notes form part of these financial statements.

Strathfield Recreation Club Limited

ABN: 67 000 001 178

Notes to the Financial Statements

For the Year Ended 30 September 2020

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

(i) AASB 15 Revenue from Contracts with Customers

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

(ii) AASB 16 Leases

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

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

Notes to the Financial Statements

For the Year Ended 30 September 2020

1 Summary of Significant Accounting Policies

(b) New or Amended Accounting Standards and Interpretations

(iii) AASB 1058 Income for Not-for-Profit Entities

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

Impact of adoption

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

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

The impact of adoption of AASB 16 at 1 October 2019 was the recognition of right-of-use assets of \$270,141 and lease liabilities of \$275,356 for leases previously classified as operating leases.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 October 2019 was 5.37%.

(c) 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

Notes to the Financial Statements

For the Year Ended 30 September 2020

1 Summary of Significant Accounting Policies

(c) Revenue and other income

Revenue from contracts with customers

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:

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.

Notes to the Financial Statements

For the Year Ended 30 September 2020

1 Summary of Significant Accounting Policies

(c) Revenue and other income

Specific revenue streams

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.

Rental income

Rental income from sub-leases is recognised on a straight line basis over the term of the lease.

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).

(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.

Notes to the Financial Statements

For the Year Ended 30 September 2020

1 Summary of Significant Accounting Policies

(e) Property, Plant and Equipment

Fair value

Land is currently held at fair value using 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.

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

Fixed asset class	Depreciation rate
Buildings	1% - 20%
Plant and Equipment	2.5% - 50%

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 is 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).

Notes to the Financial Statements

For the Year Ended 30 September 2020

1 Summary of Significant Accounting Policies

(g) Financial instruments

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.

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.

Notes to the Financial Statements

For the Year Ended 30 September 2020

1 Summary of Significant Accounting Policies

(g) Financial instruments

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.

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.

Strathfield Recreation Club Limited

ABN: 67 000 001 178

Notes to the Financial Statements

For the Year Ended 30 September 2020

1 Summary of Significant Accounting Policies

(h) Impairment of non-financial assets

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.

(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.

Notes to the Financial Statements

For the Year Ended 30 September 2020

1 Summary of Significant Accounting Policies

(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) 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.

Key estimates - Income tax exempt status

The Directors of the Club have self assessed their ongoing exemption from income tax at 30 September 2020, 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. The directors have not identified any indicators of impairment during the 2020 financial year, with the key assumptions adopted by the Independent Valuer are indicative of conditions that existed at financial year end 30 September 2020.

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 2020

2 Revenue and Other Income

	2020	2019
	\$	\$
Revenue from continuing operations attributable to operating activities:		
- Membership and subscriptions	139,434	156,854
- Bar sales	1,338,205	1,479,199
- Poker machine clearance (net of payouts)	2,838,145	3,110,725
- Rental revenue	101,982	75,328
- Golden Goal revenue	352,877	439,091
- Other sales revenue	257,584	306,609
	<u>5,028,227</u>	<u>5,567,806</u>
Other income		
- Grants	15,250	-
- Jobkeeper Subsidy	250,500	7,707
- Interest received	870	11,182
	<u>266,620</u>	<u>18,889</u>
	<u><u>5,294,847</u></u>	<u><u>5,586,695</u></u>

Strathfield Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 September 2020

3 Result for the Year

The result for the year includes the following specific expenses:

	2020	2019
	\$	\$
Depreciation & impairment:		
Depreciation of buildings	300,397	50,475
Depreciation of plant and equipment	472,902	213,679
Impairment of intangibles - Golden Goal	120,000	120,000
Depreciation of right of use asset	67,535	-
	<u>960,834</u>	<u>384,154</u>
Borrowing costs:		
Interest on loan	169,522	163,999
Employee benefits expense:		
Salary and employee benefit expense	1,059,823	970,948
Contributed superannuation	84,161	79,453
Other employment costs	34,969	32,202
	<u>1,178,953</u>	<u>1,082,603</u>
Other operating expenses:		
Accounting and auditing	38,600	44,641
Advertising and promotions	35,100	50,342
Bank fees and charges	68,907	91,217
Cleaning and rubbish removal	23,686	40,168
Computer expenses and Internet expenses	9,520	40,466
Consulting expense and legal	22,811	12,085
Donations and community support program	150,109	220,206
Lease interest expense	13,241	-
Event and function expenses	3,976	71,736
Fines	1,600	-
General and administration	24,823	23,386
Hire/rent of plant and equipment	11,307	107,534
Insurances	67,845	80,513
Keno and TAB expenses	4,226	6,840
Materials and supplies	137,015	168,497
Light, power and rates	156,228	115,025
Other administration charges	179,132	216,683
Poker machine tax	489,764	498,283
Registration and subscriptions	6,067	11,674
Repairs and maintenance	199,797	228,041
Security	160,298	187,953
Subscriptions	143,476	114,971
Telephone and internet	13,993	11,106
Loss on asset disposals	52,944	-
	<u>2,014,465</u>	<u>2,341,367</u>

Strathfield Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 September 2020

4 Cash and cash equivalents

	2020	2019
	\$	\$
Cash on hand	156,323	212,240
Cash at bank	1,502,574	946,294
	<u>1,658,897</u>	<u>1,158,534</u>

5 Trade and other receivables

CURRENT

Trade receivables

<u>65,269</u>	<u>35,901</u>
---------------	---------------

6 Inventories

CURRENT

Stock on hand, at cost

<u>39,353</u>	<u>14,458</u>
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7 Other Assets

CURRENT

Prepayments

<u>83,993</u>	<u>95,299</u>
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Strathfield Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 September 2020

8 Property, plant and equipment

	2020	2019
	\$	\$
LAND AND BUILDINGS		
Freehold land		
At independent valuation	<u>30,000,000</u>	30,000,000
Buildings		
At cost	10,309,380	10,998,486
Less accumulated depreciation	<u>(580,061)</u>	<u>(343,482)</u>
	<u>9,729,319</u>	10,655,004
Future capital improvements		
At cost	<u>237,212</u>	21,717
Plant and equipment		
At cost	2,342,075	1,591,608
Accumulated depreciation	<u>(1,043,771)</u>	<u>(643,707)</u>
	<u>1,298,304</u>	947,901
	<u><u>41,264,835</u></u>	<u>41,624,622</u>

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 2020					
Balance at the beginning of year	30,000,000	10,655,004	21,716	947,902	41,624,622
Additions	-	86,753	215,496	164,208	466,457
Disposals - written down value	-	(22,974)	-	(29,971)	(52,945)
Transfers	-	(689,067)	-	689,067	-
Depreciation	-	(300,397)	-	(472,902)	(773,299)
Balance at the end of the year	<u>30,000,000</u>	<u>9,729,319</u>	<u>237,212</u>	<u>1,298,304</u>	<u>41,264,835</u>

Future capital improvements

Future capital improvements relate to expenditure incurred in relation to the ongoing development of the Club premises.

The value of future capital improvements were recognised at cost and transferred to buildings on completion of the development.

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 2020

9 Intangible Assets

	2020	2019
	\$	\$
Goodwill		
At cost	(a) 600,000	600,000
Accumulated impairment	(360,000)	(240,000)
	<u>240,000</u>	<u>360,000</u>
Poker machine entitlements		
At cost	<u>639,050</u>	<u>471,050</u>
	<u>879,050</u>	<u>831,050</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.

10 Trade and other payables

CURRENT		
Trade payables	300,242	130,207
Payroll accrual	30,304	24,178
GST payable	101,274	56,442
	<u>431,820</u>	<u>210,827</u>

Strathfield Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 September 2020

11 Borrowings

	2020	2019
	\$	\$
CURRENT		
Unsecured liabilities:		
Other loans	-	41,768
Secured liabilities:		
Lease liability - current portion	66,899	-
Bank loans	(a) -	350,000
	<u>66,899</u>	<u>391,768</u>
NON-CURRENT		
Secured liabilities:		
Lease liability - non-current portion	145,048	-
Bank loans	(a) 3,500,000	3,500,000
	<u>3,645,048</u>	<u>3,500,000</u>
Total non-current borrowings		

(a) Bank loans

Bank loans consist of one commercial bill (\$3,500,000) held with St George Bank. The loan is payable at a variable rate of interest and is secured by the Club's assets (including property) and undertakings.

The \$3,500,000 commercial bill matures in June 2023.

Strathfield Recreation Club Limited

ABN: 67 000 001 178

Notes to the Financial Statements

For the Year Ended 30 September 2020

12 Provisions

	2020	2019
	\$	\$
CURRENT		
Provision for employee benefits	103,473	92,461

	Annual Leave	Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 October 2019	65,369	27,092	92,461
Net movement in additional provisions and amounts used	11,582	(570)	11,012
Balance at 30 September 2020	76,951	26,522	103,473

13 Other liabilities

CURRENT		
Advance payments - members subscriptions	83,364	72,567
Advance payments - GST rebates	2,940	1,950
Rental Bond	9,290	6,960
	<u>95,594</u>	<u>81,477</u>

14 Reserves

Asset revaluation reserve - land and buildings	(a)	30,150,000	30,150,000
Capital profits reserve		152,689	152,689
Total reserves		30,302,689	30,302,689

(a) Asset revaluation reserve

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

Strathfield Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 September 2020

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:

	2020	2019
	\$	\$
Financial Assets		
Held at amortised cost		
Cash and cash equivalents	1,658,897	1,158,534
Trade and other receivables	65,269	35,901
Total financial assets	1,724,166	1,194,435
Financial Liabilities		
Held at amortised cost		
Trade and other payables	431,820	210,827
Borrowings	3,711,947	3,891,768
Total financial liabilities	4,143,767	4,102,595

16 Capital and Leasing Commitments

Capital commitments

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

Operating lease

Minimum lease payments under non-cancellable operating leases:

- not later than one year	-	12,638
- between one year and five years	-	18,767
	-	31,405

Operating leases have been taken out over poker machine entitlements. The lease term is 5 years.

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

17 Key Management Personnel Disclosures

The total remuneration paid to key management personnel of the Club was \$184,597 (2019: \$192,737).

Strathfield Recreation Club Limited

ABN: 67 000 001 178

Notes to the Financial Statements

For the Year Ended 30 September 2020

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.

19 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.

20 Contingencies

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.

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

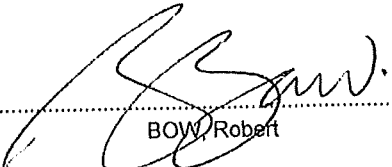
ABN: 67 000 001 178

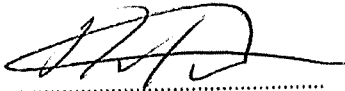
Directors' Declaration

The directors of the Club declare that:

1. The financial statements and notes, as set out on pages 5 to 26, 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 2020 and of the performance for the year ended on that date of the Club.
2. In the directors' opinion, there are reasonable grounds to believe that the Club will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director 
BOW, Robert

Director 
HART, Daryl

Dated 12/1/21

INDEPENDENT AUDITOR'S 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 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) Giving a true and fair view of the company's financial position as at 30 September 2020, and of its financial performance for the year then ended; and
- (b) Complying with the Australian Accounting Standards – Reduced Disclosure Requirements and Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Other Information

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

Other Information (cont'd)

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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



PKF



KYM REILLY
PARTNER

12 JANUARY 2021
SYDNEY, NSW