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Penshurst RSL Club Limited

ABN 56 430 538 750

Annual Financial Report  
31 December 2019

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# Penshurst RSL Club Limited

## Directors' Report

The directors present their report, together with the financial statements of Penshurst RSL Club Limited for the year ended 31 December 2019.

### Directors

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

John Hoban	Retired Public Relations Manager Appointed President 20 March 2016 Director 14 years
Kim Thompson	Retired Public Servant Appointed Vice President 25 March 2018 Director 2 years
Kevin Kelly	Retired National Sales Manager Director 2 years
Susie Bourke	Medical Receptionist Director 8 years
Albert Annesley	Retired Businessman Director 6 years
Graham Grant	Retired Petro-Chemical Workshop Manager Director 4 years
Michael Korfias	Airport Shift Manager Director 4 years

### Directors' meetings

The number of meetings of the company's Board of Directors (the Board) held during the year ended 31 December 2019 and the number of meetings attended by each director were:

#### **BOARD MEETINGS**

Director	Number of Meetings Held	Number of Meetings Attended
John Hoban	12	11
Kim Thompson	12	10
Kevin Kelly	12	10
Susie Bourke	12	9
Albert Annesley	12	12
Graham Grant	12	12
Michael Korfias	12	11

# Penshurst RSL Club Limited

## Directors' Report

### Principal activities

The principal activity of the company during the course of the financial year was to trade as a Licensed Club, and there has been no significant change in the nature of this activity since the last report.

The company changed from a co-operative body to a company limited by guarantee in February 2018. This changed the company from Penshurst RSL Club Co-operative, registered under the Co-operative Act 1992, to Penshurst RSL Club Limited, registered as a company limited by guarantee under the *Corporations Act 2001*.

### Membership

The Company is a company limited by guarantee and is without share capital. The number of members as at 31 December 2019 and the comparison with last year is as follows:

	2019	2018
Ordinary	6,267	6,263
Life	9	9
	<hr/>	<hr/>
	6,276	6,272
	<hr/>	<hr/>

### Members' limited liability

In accordance with the Constitution of the company, every member of the company undertakes to contribute an amount limited to \$2 per member in the event of the winding up of the company during the time that they are a member or within one year thereafter. The total amount that the members of the company are liable to contribute if the company is wound up is \$12,534 (2018: \$12,544).

### Operating result

The trading profit for the year (before tax) amounted to \$157,561 compared with \$308,966 for the prior year. This result is after charging \$810,486 (2018: \$716,939) for depreciation.

### Objectives

#### Short term

The club's main short term objective is to provide a safe and friendly club environment, where everyone is welcome. The club must ensure its' ongoing focus on efficient operational performance whilst supporting local sporting clubs and the local community.

#### Long term

To secure the long term future of the Penshurst RSL Club by ensuring optimum operational efficiencies in order to strengthen the club's financial position.

The overall vision is to ensure that the Club is able to provide an outstanding facility and services to its members and the local community to enjoy.

# Penshurst RSL Club Limited

## Directors' Report

### Strategy for achieving the objectives

All Board members must attend the Compulsory Directors training which incorporates the two courses entitled "Director Foundation and Management Collaboration" and "Finance for Club Boards".

The Directors have a liability under the Corporations Act.

Annually the Board sets and/or reviews the club's Strategic Plan.

The Board have identified the following six core strategic objectives from the club's Strategic Plan:

1. Sustainable Future
2. Operational Excellence
3. Outstanding Facilities
4. Strong Identity
5. Community Cornerstone
6. Masterplan

The following four key documents are also in place in order to assist with achieving the club's Strategic Plan:

- Operational Plan - A plan prepared by the senior management that clearly defines the actions that it will take to support the strategic objectives and plans set by the Board.
- Capital Investment Plan - A plan prepared by the senior management that details all potential capital investment projects for the club's strategic objectives.
- Master Plan - A plan approved by the Board that describes the overall land use for the club's operations which includes both present property uses as well as future land development plans.
- Financial Forecasts - An estimated financial report approved by the Board which include profit and loss, balance sheet and cash-flow statements and reflect both the strategic plan and operational plan objectives.

### How these activities assist in achieving the objectives

The principal activities assist in achieving the objectives as they are our core revenues and foundations to be able to achieve the objectives. The strategies are reviewed on a monthly basis by the Board to ensure that they are aligned in assisting the club to achieve optimum performance and to enhance and improve the club facility as a whole.

### Performance measurement and key performance indicators

The club has detailed budgets and cash-flows which are approved by the Board for the ensuing year. The performance of the club is monitored by the Board on a monthly basis in line with a number of industry Key

Performance Indicators (KPIs) such as:

- Gross Profit Margins
- Wages to Sales analysis
- Profit and Loss accounts
- Balance Sheet analysis
- Earnings Before Tax, Depreciation and Amortisation (EBITDA)
- Cash-flow

	2019	2018
Employee benefits expense to sales percentage	30.3%	29.2%
EBITDA - percentage of revenue	19.2%	20.9%

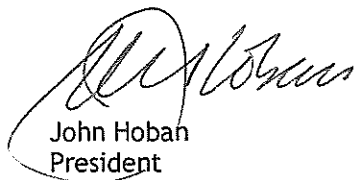
Penshurst RSL Club Limited  
Directors' Report

Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 5.

Signed in accordance with a resolution of the directors.

Dated at Penshurst 25<sup>th</sup> day of February 2020.



John Hoban  
President

**DECLARATION OF INDEPENDENCE BY CLAYTON EVELEIGH TO THE DIRECTORS OF PENSURST RSL CLUB LIMITED**

As lead auditor of Penshurst RSL Club Limited for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



Clayton Eveleigh  
Director

**BDO Audit Pty Ltd**

Sydney, 25 February 2020

Penshurst RSL Club Limited

Statement of Profit or Loss and Other Comprehensive Income  
For the Year Ended 31 December 2019

	Note	2019 \$	2018 \$
<b>Revenue</b>			
Sale of goods		889,284	905,968
Rendering of services		4,661,528	4,498,400
Other revenue		71,754	64,226
		<hr/>	<hr/>
Total revenue	1	5,622,566	5,468,594
		<hr/>	<hr/>
<b>Expenses</b>			
Raw materials and consumables used		298,523	309,601
Employee benefits expense		1,703,500	1,594,960
Depreciation	2	810,486	716,939
Finance costs	2	111,132	116,157
Marketing and promotional expenses		587,328	575,891
Poker machine licences and taxes		849,833	804,981
Occupancy expenses		732,050	672,408
Other expenses		372,153	368,691
		<hr/>	<hr/>
		5,465,005	5,159,628
		<hr/>	<hr/>
<b>Profit before income tax</b>		157,561	308,966
Income tax expense	3	-	-
		<hr/>	<hr/>
<b>Net profit after income tax expense attributable to members</b>		157,561	308,966
		<hr/>	<hr/>
Other comprehensive income for the year, net of tax		-	-
		<hr/>	<hr/>
<b>Total comprehensive income for the year attributable to members</b>		157,561	308,966
		<hr/>	<hr/>

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes set out on pages 10 to 26.

Penshurst RSL Club Limited  
Statement of Financial Position  
As at 31 December 2019

	Note	2019 \$	2018 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		629,616	609,615
Trade and other receivables		11,299	9,467
Inventories		60,989	58,043
Prepayments		84,234	96,043
<b>Total Current Assets</b>		<b>786,138</b>	<b>773,168</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	4	14,926,626	15,520,392
Investment property	5	1,430,000	1,406,171
Poker machine entitlements		56,818	-
<b>Total Non-Current Assets</b>		<b>16,413,444</b>	<b>16,926,563</b>
<b>Total Assets</b>		<b>17,199,582</b>	<b>17,699,731</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	6	343,597	595,721
Financial liabilities	7	586,549	550,511
Employee benefits	8	240,810	207,966
Income received in advance		15,306	14,828
<b>Total Current Liabilities</b>		<b>1,186,262</b>	<b>1,369,026</b>
<b>Non-Current Liabilities</b>			
Financial liabilities	7	1,215,348	1,702,402
Employee benefits	8	44,869	31,982
Income received in advance		8,890	9,669
Deferred tax liability	3	1,157,358	1,157,358
<b>Total Non-Current Liabilities</b>		<b>2,426,465</b>	<b>2,901,411</b>
<b>Total Liabilities</b>		<b>3,612,727</b>	<b>4,270,437</b>
<b>Net Assets</b>		<b>13,586,855</b>	<b>13,429,294</b>
<b>Members' Funds</b>			
Reserves	9	3,106,067	3,106,067
Retained profits		10,480,788	10,323,227
<b>Total Members' Funds</b>		<b>13,586,853</b>	<b>13,429,294</b>

The Statement of Financial Position should be read in conjunction with the accompanying notes set out on pages 10 to 26.



Penshurst RSL Club Limited

Statement of Changes in Members' Funds  
For the Year Ended 31 December 2019

	Reserves \$	Retained Earnings \$	Total Equity \$
<b>Balance at 31 December 2017</b>	3,106,067	10,014,261	13,120,328
Net profit after income tax expense for the year	-	308,966	308,966
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	308,966	308,966
<b>Balance at 31 December 2018</b>	3,106,067	10,323,227	13,429,294
Net profit after income tax expense for the year	-	157,561	157,561
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	157,561	157,561
<b>Balance at 31 December 2019</b>	3,106,067	10,480,788	13,586,855

The Statement of Changes in Members' Funds should be read in conjunction with the accompanying notes set out on pages 10 to 26.

Penshurst RSL Club Limited  
Statement of Cash Flows  
For the Year Ended 31 December 2019

	2019 \$	2018 \$
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	6,104,062	6,126,652
Payments to suppliers and employees	(5,296,298)	(5,109,416)
Interest received	232	337
Rent received	63,189	61,889
Finance costs paid	(111,132)	(116,157)
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	760,052	963,305
	<hr/>	<hr/>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of plant and equipment	8,333	7,400
Payment for property, plant and equipment	(240,549)	(951,998)
Purchase of poker machine entitlements	(56,818)	-
	<hr/>	<hr/>
<b>Net cash outflow from investing activities</b>	(289,034)	(944,598)
	<hr/>	<hr/>
<b>Cash Flows from Financing Activities</b>		
Proceeds from borrowings	20,800	386,274
Repayment of borrowings	(406,900)	(374,600)
Net payments of lease liabilities	(64,917)	(172,337)
	<hr/>	<hr/>
<b>Net cash outflow from financing activities</b>	(451,017)	(160,663)
	<hr/>	<hr/>
<b>Net increase / (decrease) in cash and cash equivalents</b>	20,001	(141,956)
<b>Cash and cash equivalents at the beginning of the financial year</b>	609,615	751,571
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the financial year</b>	629,616	609,615
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The Statement of Cash Flows should be read in conjunction with the accompanying notes set out on pages 10 to 26.

# Penshurst RSL Club Limited

## Notes to the Financial Statements

### For the Year Ended 31 December 2019

## About this report

Penshurst RSL Club Limited is a company limited by guarantee, incorporated and domiciled in Australia and is a not-for-profit entity for the purposes of preparing the financial statements. The financial statements are for Penshurst RSL Club Limited as a standalone legal entity.

The financial statements were approved for issue by the Directors on 25 February 2020.

The financial statements are general purposes financial statements which:

- Have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australia Accounting Standards - Reduced Disclosure Requirements issued by the Australian Accounting Standards Board ('AASB');
- Have been prepared under the historical cost convention;
- Are presented in Australian dollars;
- Have had comparative information restated to conform with changes in presentation in the current year, where necessary;
- Have been prepared on a going concern basis.

### **New or amended Accounting Standards and Interpretations adopted**

The Company has adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The following Accounting Standards and Interpretations are most relevant to the Company:

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

The Company has adopted AASB 15 from 1 January 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, i.e. performance obligations, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

#### *AASB 16 Leases*

The Company has adopted AASB 16 from 1 January 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.

#### **Impact of adoption**

AASB 15 and AASB 16 were adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact from the adoption of AASB 15 *Revenue from Contracts with Customers* on opening retained profits as at 1 January 2019 or revenue recognition during the year. There was no material impact of adoption of AASB 16 *Leases* as the Club's leases were previously classified as finance leases and there is no changes in the incremental borrowing rate used and the lease terms applicable.

# Penshurst RSL Club Limited

## Notes to the Financial Statements

### For the Year Ended 31 December 2019

#### Critical Accounting Judgements, Estimates and Assumptions

In the process of applying the company's accounting policies, management has made a number of judgements and applied estimates of future events. Judgements and estimates that are material to the financial statements include:

Impairment of non-financial assets	Note 4
Estimation of useful lives of assets	Note 4
Long service leaves liability	Note 8
Fair value of property	Notes 4 and 5

	2019 \$	2018 \$
<b>1 Revenue and Other Income</b>		
<b>Sale of Goods Revenue</b>		
Bar sales	889,284	905,968
<b>Rendering of Services Revenue</b>		
Poker machines - net clearances	4,489,860	4,301,207
Keno commission received	41,198	48,204
Members' subscriptions	24,337	24,046
Entertainment and promotions	1,768	5,708
TAB commission received	11,086	13,918
Room hire	29,582	44,377
Brassiere utilities recovery	42,000	36,000
Sundry income	21,697	24,940
	4,661,528	4,498,400
<b>Other Revenues</b>		
Interest received	232	337
Rent received	63,189	61,889
Gain on disposal of non-current assets	8,333	2,000
Total other revenue	71,754	64,226
<b>Total Revenue</b>	<b>5,622,566</b>	<b>5,468,594</b>

#### Recognition and Measurement

Revenues are recognised at fair value of the consideration received or receivable net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

#### Sale of Goods

Revenue from the sale of goods comprises of revenue earned from the provision of food, beverage and other goods and is recognised (net of rebates, returns, discounts and other allowances) at a point in time when the performance obligation is satisfied that is on delivery of goods to the customer.

Penshurst RSL Club Limited

Notes to the Financial Statements

For the Year Ended 31 December 2019

1 Revenue and Other Income (continued)

**Rendering of Services**

Revenue from rendering services comprises revenue from gaming facilities together with other services to members and other patrons of the club and is recognised at a point in time when the services are provided.

**Interest Revenue**

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

**Rent Revenue**

Rent revenue from operating leases is recognised on a straight-line basis over the term of the relevant lease.

	2019 \$	2018 \$
<b>2 Expenses</b>		
Profit before income tax includes the following specific expenses:		
<b>Cost of sales</b>		
Raw materials and consumables used	298,523	309,601
<b>Finance costs</b>		
Bank loans	85,388	108,240
Lease interest charges	25,744	7,917
	111,132	116,157
<b>Depreciation</b>		
Buildings, improvements and investment property	155,381	122,169
Plant and equipment	655,105	594,770
Total depreciation	810,486	716,939
Defined contribution superannuation expense	137,317	127,079
Net expense from movement in provisions for employee entitlements	45,730	25,424
Loss on disposal of non-current assets	-	2,454

Penshurst RSL Club Limited  
Notes to the Financial Statements  
For the Year Ended 31 December 2019

## 2 Expenses (continued)

### Recognition and Measurement

#### Finance Costs

Finance costs include interest, premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges.

#### Sale of Property, Plant and Equipment

The gain or loss on disposal of property, plant and equipment is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs) and is recognised as other income at the date control of the asset passes to the buyer.

## 3 Income Tax

### (a) Income Tax Expense

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

	2019 \$	2018 \$
(b) Deferred Tax Liability		
Unrealised gain on revaluation of land and buildings	1,157,358	1,157,358
	<hr/>	<hr/>
(c) Deferred Tax Assets		
Unrecognised deferred tax assets associated with unused tax losses	231,582	213,258
	<hr/>	<hr/>

### Recognition and Measurement

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates that are enacted or substantively enacted.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Penshurst RSL Club Limited  
Notes to the Financial Statements  
For the Year Ended 31 December 2019

	2019 \$	2018 \$
<b>4 Property, Plant and Equipment</b>		
Freehold land <i>At independent valuation 2015</i>	7,500,000	7,500,000
Buildings and improvements <i>At independent valuation 2015</i>	4,951,544	4,947,588
Gaming floor renovation - at cost <i>Accumulated depreciation</i>	1,303,176 (487,633)	1,303,177 (308,424)
	<hr/> 13,267,087	<hr/> 13,442,341
Right-of-use - leased assets - at cost <i>Accumulated depreciation</i>	439,688 (125,806)	356,401 (41,539)
	<hr/> 313,882	<hr/> 314,862
Plant and equipment <i>At cost</i> <i>Accumulated depreciation</i>	5,878,004 (4,678,984)	5,786,206 (4,166,767)
	<hr/> 1,199,020	<hr/> 1,619,439
Capital WIP - <i>at cost</i>	146,637	143,750
	<hr/> 14,926,626	<hr/> 15,520,392

Refer to Note 7 for details of security over property, plant and equipment.

### Recognition and Measurement

Freehold land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same class of land and buildings recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to that class of land and buildings.

Penshurst RSL Club Limited

## Notes to the Financial Statements

### For the Year Ended 31 December 2019

#### 4 Property, Plant and Equipment (continued)

All property, plant and equipment is stated at historical cost less depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated using the straight line / diminishing value methods to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Buildings and improvements	60 years
Plant and equipment	5 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss. When revalued assets are sold the amounts included in the revaluation reserve relating to those assets are transferred to retained earnings.

##### Right-of-use assets

The company hires plant and equipment under hire purchase agreements expiring from one to five years. The hire purchase facility is secured against the assets purchased.

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

##### Valuation

An independent valuation of the Club's freehold land and buildings was carried out in December 2015 on the basis of open market value for existing use resulting in a valuation of \$12,350,000. Since that date, additions have been \$94,277. The directors do not believe that there has been a material movement in the fair value since the valuation date.



Penshurst RSL Club Limited  
Notes to the Financial Statements  
For the Year Ended 31 December 2019

4 Property, Plant and Equipment (continued)

Reconciliations	2019 \$	2018 \$
<b>Movements in Carrying Amounts</b>		
Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are set out below:		
<b>Freehold Land, Buildings and Improvements</b>		
Carrying amount at beginning of year	13,442,341	13,456,943
Additions	3,956	97,588
Depreciation	(179,210)	(112,190)
	<hr/>	<hr/>
Carrying amount at end of year	13,267,087	13,442,341
	<hr/>	<hr/>
<b>Plant and Equipment</b>		
Carrying amount at beginning of year	1,619,439	1,764,057
Additions	150,419	425,819
Disposals	-	(5,401)
Depreciation expense	(570,838)	(565,036)
	<hr/>	<hr/>
Carrying amount at end of year	1,199,020	1,619,439
	<hr/>	<hr/>
<b>Right-of-use - leased assets</b>		
Carrying amount at beginning of year	314,862	36,190
Additions	83,287	310,441
Depreciation expense	(84,267)	(31,769)
	<hr/>	<hr/>
Carrying amount at end of year	313,882	314,862
	<hr/>	<hr/>
<b>Capital Work-in-progress</b>		
Carrying amount at beginning of year	143,750	25,600
Additions	2,887	118,150
	<hr/>	<hr/>
Carrying amount at end of year	146,637	143,750
	<hr/>	<hr/>

**Core Properties held by the Club**

58A Penshurst Street, Penshurst NSW 2222

**Non-core Properties held by the Club**

25, 27, 29 and 31 Connelly Street, Penshurst NSW 2222

Penshurst RSL Club Limited  
Notes to the Financial Statements  
For the Year Ended 31 December 2019

5 Investment Property

	2019 \$	2018 \$
Freehold land and buildings at fair value	1,430,000	1,430,000
Accumulated depreciation	-	(23,829)
	<hr/>	<hr/>
Building at fair value	1,430,000	1,406,171
	<hr/>	<hr/>
<b>Movements in Carrying Amounts</b>		
Carrying amount at beginning of year	1,406,171	1,414,114
Depreciation	-	(7,943)
Write-back of depreciation	(23,829)	-
	<hr/>	<hr/>
Carrying amount at end of year	1,430,000	1,406,171
	<hr/>	<hr/>

Valuation

An independent valuation of the company's freehold land and buildings was carried out in December 2015 on the basis of open market value for existing use resulting in a valuation of \$1,430,000. The directors do not believe that there has been a material movement in the fair value since the valuation date.

Non-core Property

52 Penshurst Street, Penshurst NSW 2222

Recognition and Measurement

Investment properties principally comprise freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the company. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Penshurst RSL Club Limited  
Notes to the Financial Statements  
For the Year Ended 31 December 2019

6 Trade and Other Payables

	2019 \$	2018 \$
<b>Current</b>		
Trade payables	224,049	386,905
Other payables and accrued expenses	119,548	208,816
	<hr/>	<hr/>
	343,597	595,721
	<hr/>	<hr/>

**Recognition and Measurement**

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

7 Financial Liabilities

	2019 \$	2018 \$
<b>Financing Arrangements</b>		
The company has access to the following lines of credit:		
Total facilities available:		
Commercial bills	2,600,000	2,600,000
Asset finance - hire purchase liabilities	500,000	500,000
Credit card	10,000	10,000
Overdraft	100,000	-
	<hr/>	<hr/>
	3,210,000	3,110,000
	<hr/>	<hr/>

Facilities utilised at reporting date:

**Current Financial Liabilities**

Borrowings - bank loans	394,000	373,200
Lease liabilities - hire purchase	192,549	177,311
	<hr/>	<hr/>
	586,549	550,511
	<hr/>	<hr/>

**Non-Current Financial Liabilities**

Borrowings - bank loans	1,036,900	1,443,800
Lease liabilities - hire purchase	178,448	258,602
	<hr/>	<hr/>
	1,215,348	1,702,402
	<hr/>	<hr/>

Penshurst RSL Club Limited  
Notes to the Financial Statements  
For the Year Ended 31 December 2019

## 7 Financial Liabilities (continued)

### Bank Loans

The bank loan is denominated in Australian dollars.

The bank loan's non-current balance represents the portion of the company's bank loan not due within one year.

### Security

- i) The commercial bill facility is secured by first registered general security agreement over the assets and undertakings of the company and first registered real property mortgage over the property located at 52 and 58a Penshurst Street, Penshurst NSW 2222.
- ii) Hire purchase liabilities are secured by first registered specific security agreement over equipment suitable to be financed by St George Bank given by the company.

### Recognition and Measurement

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred. Lease liabilities are secured over the rights to the hire purchase assets recognised in the statement of financial position which will revert to the lessor if the company defaults.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Penshurst RSL Club Limited  
Notes to the Financial Statements  
For the Year Ended 31 December 2019

	2019 \$	2018 \$
<b>8 Employee Benefits</b>		
<b>Current Employee Benefits</b>		
Long service leave	94,766	88,327
Annual leave	146,044	119,639
	<hr/>	<hr/>
	240,810	207,966
	<hr/>	<hr/>
<b>Non-Current Employee Benefits</b>		
Long service leave	44,869	31,982
	<hr/>	<hr/>

### Superannuation Plans

#### Contributions

The company is under a legal obligation to contribute 9.5% of each employee's base salary to a superannuation fund.

#### Recognition and Measurement

##### Wages and Salaries, Annual Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables with respect to employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

##### Long Service Leave

The provision for employee benefits relating to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the market yields on corporate bonds at reporting date which most closely match the terms of maturity with the expected timing of cash flows. The unwinding of the discount is treated as long service leave expense.

##### Superannuation Plan

The company contributes to several defined contribution superannuation plans. Contributions are recognised as an expense as they are made. The company has no legal or constructive obligation to fund any deficit.

Penshurst RSL Club Limited  
Notes to the Financial Statements  
For the Year Ended 31 December 2019

	2019 \$	2018 \$
<b>9 Reserves</b>		
Capital profits reserve	545,000	545,000
Asset revaluation reserve	2,546,664	2,546,664
Members' withdrawn share reserve	14,403	14,403
	<hr/>	<hr/>
	3,106,067	3,106,067
	<hr/>	<hr/>

**10 Commitments**

**Hire Purchase Commitments**

Hire purchase payments are payable as follows:

Within one year	-	198,124
One year or later and no later than five years	-	272,861
	<hr/>	<hr/>
	-	470,985
Less: Future hire purchase charges	-	(35,071)
	<hr/>	<hr/>
	-	435,914
	<hr/>	<hr/>

The company hires plant and equipment under hire purchase agreements expiring from one to five years. The hire purchase facility is secured against the assets purchased under this facility in Note 4. On adoption of AASB 16 *Leases*, hire purchase commitments are now show as lease liabilities. Refer to note 7.

Penshurst RSL Club Limited  
Notes to the Financial Statements  
For the Year Ended 31 December 2019

11 Key Management Personnel Details

(a) Directors

The following persons were non-executive directors of the company during the financial year:

John Hoban  
Kim Thompson  
Kevin Kelly  
Susie Bourke  
Albert Annesley  
Graham Grant  
Michael Korfias

(b) Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly during the financial year:

Name	Position
Chris Hendley	Chief Executive Officer

(c) Key Management Personnel Compensation

	2019 \$	2018 \$
Benefits and payments made to the Directors and Other Key Management Personnel	227,574	193,284

Penshurst RSL Club Limited  
Notes to the Financial Statements  
For the Year Ended 31 December 2019

## 12 Related Parties

### Key Management Personnel

Disclosures relating to key management personnel are set out in Note 11.

### Transactions with related parties

From time to time the company pays, and is subsequently reimbursed, for various expenses on behalf of the Sub Branch. During the 2019 financial year the company paid \$16,344 (2018: \$16,177) on behalf of the Sub Branch and the company was reimbursed \$15,310 (2018: \$16,177).

During the 2019 financial year the company provided funding, through the Club Grants scheme, of \$3,700 to the Sub Branch (2018: \$10,900).

The shortage of expenses reimbursed by the Branch in 2019, totalling \$1,033, and the amount receivable from the Sub Branch at 31 December 2019 (\$1,033 as outlined below) reconcile to the payable to the Sub Branch at 31 December 2019.

During the 2019 and 2018 financial years the company made available office space to the Sub Branch at no cost.

From time to time, directors of the company, or their director-related entities, may purchase goods from the company. These purchases are on the same terms and conditions as those entered into by other company employees or customers.

No director has entered into a material contract with the company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

### Receivable from and payable to related parties

As at 31 December 2019, the company recognised a payable of \$1,033 (2018: \$744 receivable) from the Sub Club.

There were no other receivables from or payables to related parties at the current and previous reporting date.

## 13 Company Details

The company is incorporated and domiciled in Australia as a company limited by guarantee. In accordance with the Constitution of the company, every member of the company undertakes to contribute an amount limited to \$2 per member in the event of the winding up of the company during the time that he is a member or within one year thereafter. At 31 December 2019 there were 6,276 members.

The registered office of the company is 58A Penshurst Street, Penshurst NSW 2222.

## 14 Events Subsequent to Reporting Date

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.



Penshurst RSL Club Limited

## Notes to the Financial Statements

### For the Year Ended 31 December 2019

## 15 Summary of Other Significant Accounting Policies

### (a) Goods and Services Tax

Revenues, 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. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the Statement of Financial Position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office.

### (b) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (c) Financial Assets

The Club classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available for sale financial assets. The classification depends on the purpose for which the investments were acquired and subsequent reclassification to other categories is restricted to limited circumstances. Management determines the classification of its investments at initial recognition.

All financial assets are recognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or have been transferred and the Club has transferred substantially all the risks and rewards of ownership.

#### **Loans and receivables**

Trade receivables, loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. They arise when the Club provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are included in receivables in the Statement of Financial Position.

Penshurst RSL Club Limited  
Notes to the Financial Statements  
For the Year Ended 31 December 2019

15 Summary of Significant Accounting Policies

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on the basis of weighted average costs.

(e) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets such as trading and available for sale securities is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Club is the current bid price.

The carrying value of trade receivables and payables are assumed to approximate their fair value due to their short term nature.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Club for similar liabilities.

(f) Comparatives

Comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(g) Customer Loyalty Program

The Club operates a loyalty program where customers accumulate points for dollars spent. The award points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale that the award points are recognised at their fair value. Revenue from the award points is recognised when the points are redeemed. The amount of revenue is based on the number of points redeemed relative to the total number expected to be redeemed.

Points carried forward for level 1, level 2 and level 3 patrons were accrued at year end, whilst points for level 4 and level 5 patrons were cleared, as they were forfeited at year end.

(h) Impairment of Assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Penshurst RSL Club Limited  
Notes to the Financial Statements  
For the Year Ended 31 December 2019

15 Summary of Significant Accounting Policies

(h) Critical Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Estimation of Useful Lives of Assets**

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

**Long Service Leave Provision**

As discussed in note 8, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect to all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

# Penshurst RSL Club Limited

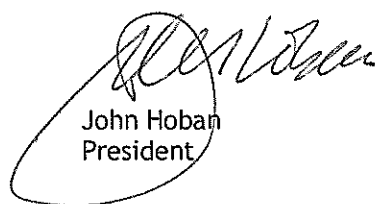
## Directors' Declaration

The directors of Penshurst RSL Club Limited declare that:

- (a) In the directors' opinion the financial statements and notes set out on pages 6 to 26, are in accordance with the *Corporations Act 2001*, including:
  - (i) Giving a true and fair view of the company's financial position as at 31 December 2019 and of its performance, for the financial year ended on that date; and
  - (ii) Complying with Australian Accounting Standards - Reduced Disclosure Requirements and *Corporations Regulations 2001*.
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Dated at Penshurst this 25<sup>th</sup> day of February 2020.



John Hoban  
President

## INDEPENDENT AUDITOR'S REPORT

To the members of Penshurst RSL Club Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Penshurst RSL Club Limited, which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, the statement of changes in members' funds and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) Giving a true and fair view of the Company's financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

#### Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' Report, but does not include the financial report and our auditor's report thereon. 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of 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 the 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf)

This description forms part of our auditor's report.

**BDO Audit Pty Ltd**

A handwritten signature in black ink, appearing to read 'Clayton', is written over a faint, stylized 'BDO' logo.

Clayton Eveleigh  
Director

Sydney, 25 February 2020