

REPORTS & FINANCIAL ACCOUNTS

OF

THE EPPING CLUB LIMITED

FOR THE YEAR ENDED 30 JUNE 2020

THE EPPING CLUB LIMITED
ABN 96 000 964 938

DIRECTORS' REPORT TO MEMBERS

The Directors of The Epping Club Limited submit herewith the annual financial report for the financial year ended 30 June 2020. In order to comply with the provision of the Corporations Act 2001, the directors report as follows:

DIRECTORS - The names of the Directors in office at any time during or since the end of the year are:

| | | |
|--------------------------|-----------------------------|--|
| David TAYLOR | President Board Chairman | Club Member 26 years. Director 23 years. Club President 16 years. Retired General Manager and Company Director with National and International responsibility. Chairman of House & Finance and member of Building Committees. Life Member of The Epping Club. Life Member of RSL of Australia and Epping RSL Sub-Branch. Vice President Epping RSL Sub-Branch. Committee Member Reserve Forces Day Council. State Committee Member National Serviceman's Association of Australia. Member of the Club Directors Institute. |
| John CURDIE OAM | Vice-President | Club Member 33 years. Director 16 years. Member of Order of Australia. Retired Surveyor. President of Epping RSL Sub-Branch. Life Member of the Club, RSL of Australia and the Epping RSL Sub-Branch. Member NSW Reserve Forces Day Council Committee. Justice of the Peace. Member of the Club Directors Institute. Formal Qualifications ME (Syd Uni). Dip TCP. (Syd Uni). Dip Env STD (Mac Uni). Hon. Fellow IS.Aust. Hon Mem.F.I.G. |
| John PRESTIDGE RFD ED | Vice-President - Finance | Club Member 40 years. Director 16 years. Retired Service Manager-TAFE Lecturer. Life Member of the Club. Life Member of the RSL and Life Member of Epping RSL Sub-Branch. Secretary of Epping RLS Sub-Branch 15 years. Member CMF/ARMY Reserve 30 years. Member of the Club Directors Institute. Formal Qualifications Dip Teach. (Tech). |
| Dr Barry HOSCHKE | Director | Club Member 26 years. Director 8 years. Retired Research Scientist. 25 years experience in scientific research and research management with CSIRO. Life Member of the RSL of Australia, Epping RSL Sub-Branch and The Epping Club. Pensions Officer and Magazine Editor Epping RSL Sub-Branch. Justice of the Peace. Member of the Club Directors Institute. Formal Qualifications BSc (UNSW), PhD (UNSW), Dip CM (ICMSA), Completed Mandatory Director Training "Director Foundation and Management Collaboration" and "Finance for Club Boards". |
| Denis FITZGERALD AM | Director | Club Member 10 years. Director 3 years. Member Order of Australia AM. CEO Parramatta Eels 30 years. CEO Parramatta Leagues Club 20 years President Parramatta Leagues 3 years. Director Australian Rugby League 3 years. Alderman Parramatta Council 4 years. Member Club Managers' Hall of Fame. Director of Sydney Olympic Park Authority 6 years. Chairman Combat Sports Authority of NSW 6 years. Director Parramatta Stadium Trust 23 years. Member 20 Licensed Clubs. Member of the Club Directors Institute. |

| | | |
|---------------|-----------------------------------|--|
| Seona WALLACE | Director | Club Member 6.5 years. Director 3 years. Senior corporate executive with 20+ years experience working for multinational pharmaceutical companies. Since 2015 Managing Director and part owner of mid-size healthcare business. Married to RAAF Engineering Officer and has two school aged children. Affiliate Member of Epping RSL Sub-Branch. Member of Australian Institute of Company Directors. Member of the Club Directors Institute. Formal Qualifications Master of Business (UON), Graduate Diploma Marketing (UTS). |
| Kirsten BAKER | Director Appointed 18.12.19 | Club Member 18 years. Previous Club Director for 12 years. Life Member of The Epping Club. Operating own business for the last 13 years following 8 years in financial services. Married with three school aged sons. Member of the Club Directors Institute. Formal Qualifications Bachelor of Economics (Mac Uni), Master of Commerce (Mac Uni), Diploma of Financial Services (Financial Planning). |

The following Directors retired or resigned from the Board during the year:

John Donohoe - Director
Attended 4 of 5 Board meetings

Max Falconer - Director
Attended 3 of 5 Board meetings

MEETINGS OF COMPANY DIRECTORS

So as to comply with the Corporations Law we detail below the number of meetings held during the financial year and the number of those meetings attended by each Director.

| | Meetings Eligible to Attend | Number of Meetings attended |
|--------------|-----------------------------|-----------------------------|
| D Taylor | 14 | 13 |
| J Curdie | 14 | 14 |
| J Prestidge | 14 | 13 |
| B Haschke | 14 | 13 |
| D Fitzgerald | 14 | 14 |
| S Wallace | 14 | 13 |
| K Baker | 7 | 7 |
| J Donohoe | 5 | 4 |
| M Falconer | 5 | 3 |

MEMBERS' GUARANTEE

The company is limited by guarantee. If the company is wound up the constitution of the company states that each member is required to contribute \$2 each towards meeting any outstanding obligations of the company. The total amount contributed would be \$28,960.

REVIEW OF OPERATIONS

The profit of the club for the financial year before income tax amounted to \$266,508 (2019: \$1,048,161)
Income tax of Nil was provided (2019: Nil)

Due to Covid-19 Government regulations the club was closed on 22 March and was able to re-open on Monday 1 June 2020. This had an adverse effect on current year's earnings.

The club received, during the last quarter of the year, Government assistance in the form of the Cash Flow Boost (\$50,000) and the Jobkeeper Programme (\$851,250). This enabled the club to maintain positive cash flow and helped to retain the employees.

Club membership was 14,480 as at 30th June 2020 (17,186 as at 30th June 2019) and was made up as follows:

| | |
|------------------|---------------|
| Life Members | 14 |
| RSL Members | 204 |
| Ordinary Members | <u>14,262</u> |
| | <u>14,480</u> |

OBJECTIVES

The objectives of the club are to operate in a responsible and financially prudent manner with the aim of enhancing membership benefits and contributing to the local community. The Epping Club plays an important role in honouring present and returned servicemen and servicewomen.

Specific short and long term objectives include:

Short Term

- Provide the best possible facilities to members
- Encourage new membership
- Improve profitability and efficiency of club operations

Long Term

- Maintain financial stability of the club
- Ensure facilities continue to cater for members' needs
- Diversify income streams

STRATEGY FOR ACHIEVING THE OBJECTIVES

Attract and maintain quality management and staff.

Be flexible and adapt to the changing environment of the club, economy and member demographic characteristics.
To continually review and upgrade facilities of the club.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the period was that of a Licensed Club conducted for Members and Members' Guests according to the Constitution.

HOW THESE ACTIVITIES ASSIST IN ACHIEVING THE OBJECTIVES

The principal activities of the club contributed to achieving the objectives by providing a stable base of operations. This ensured the financial stability and generated funds to meet the demands of the company and maintain high levels of service to members and guests.

PERFORMANCE MEASUREMENT AND KEY PERFORMANCE INDICATORS

The financial performance of the club is measured against the budget set and benchmark data for the industry.

Some of the specific areas reported on and monitored include:

- Earnings before Interest Tax Depreciation and Amortisation (EBITDA)
- Gross Profit Margins
- Expense Ratios and Analysis
- Cash Flow
- Members' Feedback
- Staff Turnover

GOING CONCERN

Covid-19 Government regulations meant the club was forced to close its doors on Sunday 22 March 2020 and was able to re-open on Monday 1 June 2020. This has naturally had an adverse effect on the club's finances. However, with the assistance of the Government stimulus package and favourable trading conditions since re-opening together with a strong asset base, the directors have maintained that it is still appropriate to prepare the financial statements on a going concern basis. This assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

In addition the company is expecting to receive additional support with the Jobkeeper Programme (\$717,750) and the Cash Flow Boost (\$50,000) in the early part of the new financial year.

AUDITOR'S INDEPENDENCE DECLARATION

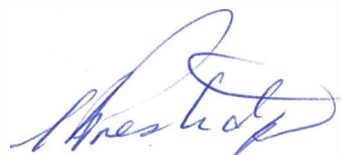
The auditor's independence declaration follows and forms part of the directors' report for the financial year ended 30 June 2020.

Dated at Epping this 12 day of August 2020
Signed in accordance with a resolution of the Directors.

D Taylor
Director



J Prestidge
Director



THE EPPING CLUB LIMITED
ABN 96 000 964 938

DIRECTORS' DECLARATION

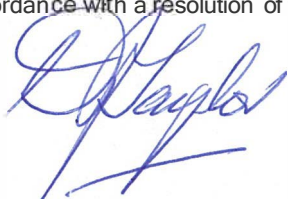
The Directors declare that:

- a) the attached financial statements and notes thereto comply with Accounting Standards;
- b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company;
- c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- d) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

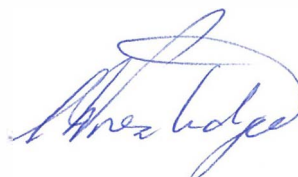
Dated at Epping this 12 day of August 2020

Signed in accordance with a resolution of the Directors.

D Taylor
Director



J Prestidge
Director



W. L. BROWNE & ASSOCIATES PTY LTD

ABN 53 628 254 277

JOHN CHEADLE F.C.A.
BRADLEY TURNER C.A.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE EPPING CLUB LIMITED

Report on the Audit of the Financial Report

Opinion

I have audited the accompanying financial report of The Epping Club Limited (the Company), which comprises the Statement of Financial Position as at 30 June 2020, Statement of profit or loss and other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In my opinion, the accompanying financial report of the Company is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2020 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 of Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described as in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am 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 (the Code) that are relevant to our audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Information Other than in the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the information included in the company's annual report for the year ended 30 June 2020, but does not include the financial report and my auditor's report thereon.

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

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibility of 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 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 intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

My 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 my 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, I exercise professional judgement and maintain professional scepticism throughout the audit. I 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 my 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
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

I also provide the directors with a statement that I have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



John C Cheadle
Registered Company Auditor
Dated: 12 August 2020

W. L BROWNE 8 ASSOCIATES PTY LTD

ABN 53 628 254 277

JOHN CHEADLE F.C.A.
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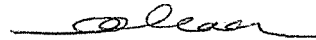
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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT

To the Directors of The Epping Club Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2020, there have been:

- (a) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (b) No contraventions of any applicable code of professional conduct in relation to the audit.



.....
John C. Cheadle-Chartered Accountant
Suite 8, 924 Pacific Highway, Gordon, 2072
12 August 2020

THE EPPING CLUB LIMITED
ABN 96 000 964 938

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE, 2020

| | Notes | 2020 \$ | 2019 \$ |
|--|----------|-----------------------|-------------------------|
| Revenue | 2 | 20,841,118 | 25,687,285 |
| Cost of sales | | (1,339,248) | (1,671,154) |
| Donations and community support | | (120,500) | (191,422) |
| Employee benefits expense | | (6,133,409) | (7,267,862) |
| Entertainment, marketing and promotional expenses | | (2,216,848) | (3,013,017) |
| Poker machine duty and taxes | | (4,612,451) | (5,650,898) |
| Property utilities expenses | | (691,255) | (699,204) |
| Other expenses | | (2,375,479) | (2,771,207) |
| Repairs and maintenance | | (632,897) | (736,354) |
| Rental of gaming and other equipment | | - | {198,006} |
| Total expenses | | <u>(18,122,087)</u> | <u>{22,199,124}</u> |
| Earnings before financing costs, depreciation and income tax | | 2,719,031 | 3,488,161 |
| Less: Depreciation | | <u>(2,452,523)</u> | <u>(2,440,000)</u> |
| Net trading operating profit before income tax | | 266,508 | 1,048,161 |
| Less income tax expense | 1(f) & 4 | <u>-</u> | <u>-</u> |
| Net profit for the year after income tax | | 266,508 | 1,048,161 |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| Total comprehensive income for the year | 20 | <u><u>266,508</u></u> | <u><u>1,048,161</u></u> |

The accompanying notes form part of these accounts

THE EPPING CLUB LIMITED
ABN 96 000 964 938

STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE, 2020

| | Notes | 2020 \$ | 2019 \$ |
|--------------------------------------|-------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash - at Bank and on Hand | 5 | 4,530,675 | 4,495,187 |
| Bank Term Deposits | 6 | 14,110,756 | 12,012,546 |
| Receivables | 7 | 382,424 | 19,926 |
| Inventories | 8 | 178,228 | 201,154 |
| Other | 9 | 362,976 | 388,879 |
| TOTAL CURRENT ASSETS | | <u>19,565,059</u> | <u>17,117,692</u> |
| NON-CURRENT ASSETS | | | |
| Property, Plant & Equipment | 10 | 19,275,319 | 20,246,364 |
| Investment Properties | 11 | 650,501 | 650,501 |
| Intangible Assets | 12 | 1,912,507 | 1,912,507 |
| TOTAL NON-CURRENT ASSETS | | <u>21,838,327</u> | <u>22,809,372</u> |
| TOTAL ASSETS | | <u>41,403,386</u> | <u>39,927,064</u> |
| CURRENT LIABILITIES | | | |
| Payables | 13 | 2,039,009 | 942,199 |
| Current Tax Liabilities | 14 | - | - |
| Provisions | 15 | 700,904 | 635,318 |
| Other | 16 | 486,735 | 501,089 |
| TOTAL CURRENT LIABILITIES | | <u>3,226,648</u> | <u>2,078,606</u> |
| NON-CURRENT LIABILITIES | | | |
| Provisions | 17 | 664,358 | 596,697 |
| Other | 18 | 121,328 | 127,217 |
| TOTAL NON-CURRENT LIABILITIES | | <u>785,686</u> | <u>723,914</u> |
| TOTAL LIABILITIES | | <u>4,012,334</u> | <u>2,802,520</u> |
| NET ASSETS | | <u>37,391,052</u> | <u>37,124,544</u> |
| MEMBERS' FUNDS | | | |
| Retained Profits | 20 | 37,391,052 | 37,124,544 |
| TOTAL MEMBERS' FUNDS | | <u>37,391,052</u> | <u>37,124,544</u> |

The accompanying notes form part of these accounts

THE EPPING CLUB LIMITED
ABN 96 000 964 938

STATEMENT OF CHANGES IN MEMBERS' FUNDS
FOR THE YEAR ENDED 30TH JUNE, 2020

| | RETAINED EARNINGS \$ | TOTAL EQUITY \$ |
|--|----------------------------|--------------------------|
| Balance at 1 July 2018 | 36,076,383 | 36,076,383 |
| Net profit for the year attributable to members of the company | <u>1,048,161</u> | <u>1,048,161</u> |
| Balance at 30 June 2019 | 37,124,544 | 37,124,544 |
| Net profit for the year attributable to members of the company | <u>266,508</u> | <u>266,508</u> |
| Balance at 30 June 2020 | <u><u>37,391,052</u></u> | <u><u>37,391,052</u></u> |

The accompanying notes form part of these accounts

THE EPPING CLUB LIMITED
ABN 96 000 964 938

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE, 2020

| | Notes | 2020 \$ | 2019 \$ |
|--|--------|-------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Government Assistance | | 901,250 | - |
| Receipts from Customers | | 20,487,663 | 25,283,508 |
| Payments to Suppliers | | (18,001,766) | (22,165,260) |
| Interest Received | | <u>235,578</u> | <u>349,657</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 27 (B) | <u>3,622,725</u> | <u>3,467,905</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Investment in Bank Term Deposits | | (2,098,210) | (1,571,416) |
| Proceeds from Sale of Property/Plant | | 30,445 | - |
| Payment Poker Machine Entitlements | | - | (650,000) |
| Payment for Plant & Equipment | | (1,424,401) | (1,981,426) |
| Payment for Property Improvements | | <u>(95,071)</u> | <u>(139,324)</u> |
| NET CASH USED IN INVESTING ACTIVITIES | | <u>(3,587,237)</u> | <u>(4,342,166)</u> |
| CASH FLOWS FROM FINANCIAL ACTIVITIES: | | | |
| NET CASH USED IN FINANCING ACTIVITIES | | <u>-</u> | <u>-</u> |
| NET INCREASE/(DECREASE) IN CASH HELD | | 35,488 | (874,261) |
| Cash at beginning of financial year | | 4,495,187 | 5,369,448 |
| CASH AT END OF FINANCIAL YEAR | 27 (A) | <u><u>4,530,675</u></u> | <u><u>4,495,187</u></u> |

The accompanying notes form part of these accounts

THE EPPING CLUB LIMITED
ABN 96 000 964 938

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE, 2020

1. SUMMARY OF ACCOUNTING POLICIES

The following summary explains the significant accounting policies that have been adopted in the preparation of the accounts. Unless otherwise stated, such accounting policies are consistent with those used in previous years.

(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 of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

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

(b) INVENTORIES

Stock on hand is valued at the lower of cost and net realisable value. Costs are assigned to quantities on hand at balance date on the basis of first in-first out value.

(c) PROPERTY, PLANT & EQUIPMENT

Except for land, tableware items and uniforms, all fixed assets are stated at original cost less the relevant provisions for depreciation.

(d) LAND & BUILDINGS

The company's properties are now classified as either "Core" or Non-Core" property. Core property is property occupied by the club as licensed premises. The club can only dispose of its core property if the disposal has been approved by a resolution passed by the majority of members. The property must be sold at public auction after valuation by a registered valuer. These requirements do not apply to non-core property, ie, investment properties.

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

(e) DEPRECIATION

Depreciation is calculated on the straight line basis so as to write off the net cost of each fixed asset during its expected useful life. Profit and losses on disposal of depreciable assets are taken into account when determining profit and loss. Expenditure on tableware items and uniforms is accounted for by showing the initial investment at cost and charging replacements against revenue in relevant subsequent periods.

Major depreciation periods are

| | |
|---------------------|----------|
| Freehold Buildings | 40 years |
| Plant and Equipment | 10 years |
| Gaming Machines | 7 years |
| Motor Vehicles | 5 years |

(f) INCOME TAX

Under present legislation, income derived by the company from members is not assessable to income tax. Income tax liabilities arise in respect of income derived from non-members and investments less certain allowable deductions. Commission income is now assessable in full and not subject to the member/non-member principle. The club does not adopt Tax-effect accounting principles.

(g) RENTAL PAYMENTS

Electronic assets are subject to a rental agreement and the rental payments are charged as expenses in the periods in which they are incurred.

(h) PROVISION FOR EMPLOYEE'S BENEFITS

Charges are made against profits to provide accrued annual leave and long service leave at wage and salary rates in accordance with employees' entitlements under the relevant Statutes and Awards. Amounts accrued for long service leave which have not vested are shown as non-current liabilities and are calculated on the unvested rights of employees who have passed their fifth year of employment.

(i) DEFERRED SUBSCRIPTION REVENUE

Membership subscriptions paid in advance are deferred to the period in which the income relates. All costs associated with the procurement of membership subscriptions are expensed as incurred. The current membership periods are as follows:-

| | |
|--------------------|---|
| Twelve (12) months | From 1st January 2020 to 31st December 2020 |
| Three (3) years | From 1st January 2020 to 31st December 2022 |
| Five (5) years | From 1st January 2020 to 31st December 2024 |

(j) IMPAIRMENT OF ASSETS

At each reporting date, the management reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is then expensed to the income statement.

(k) INTANGIBLE ASSETS - NOTE 12

Poker Machine Entitlements

Poker machine entitlements are not amortised. Instead, poker machine entitlements are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and are carried at cost less accumulated impairment losses.

(l) NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2015. Information on these new standards is presented below.

AASB 9: Financial Instruments (effective application for the Company is 1 July 2018)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It also sets out new rules for hedge accounting and impairment of financial assets. The Company has applied the standard from 1 July 2018. The application of this standard has no material impact on any of the amounts recognised in the Financial Statements.

AASB 15: Revenue from Contracts with Customers (effective application for the Company is 1 July 2018)

AASB 15 Revenue from Contracts with Customers clarifies the principles for recognition revenue from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The Company has applied the standard from 1 July 2018. The application of this standard has no material impact on any of the amounts recognised in the Financial Statements. Subscription fee revenue and Function events revenue are recognised when the Club's contractual obligations have been fulfilled.

AASB 16: Leases (effective application for the Company is 1 July 2019)

AASB 16 Leases introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless underlying asset is of low value. The Company has applied the standard from 1 July 2019. The application of this standard has no material impact on any of the amounts recognised in the Financial Statements.

| | 2020 | 2019 |
|--|--------------------------|--------------------------|
| | \$ | \$ |
| 2. REVENUE | | |
| Government Cash Flow Boost | 50,000 | - |
| Sale of Goods | 5,136,447 | 6,466,287 |
| Revenue for rendering services | 15,259,704 | 18,647,220 |
| | <u>20,446,151</u> | <u>25,113,507</u> |
| <u>Other operating revenue</u> | | |
| Sundry Income | 1,016 | 27,458 |
| Member Subscriptions | 117,877 | 145,500 |
| Interest | 235,578 | 349,657 |
| Property Rental (net) | 40,496 | 51,163 |
| | <u>394,967</u> | <u>573,778</u> |
| TOTAL REVENUE FROM CONTINUING OPERATIONS | <u><u>20,841,118</u></u> | <u><u>25,687,285</u></u> |

During the last quarter of the financial year the company received Jobkeeper allowance of \$851,250. This has been offset against wages paid.

3. EXPENSES

(a) Profit before income tax includes the following specific expenses:

| | | |
|---|-----------|-----------|
| Cost of goods sold | 1,339,248 | 1,671,154 |
| Depreciation of non-current assets | 2,452,523 | 2,440,000 |
| Amounts set aside/(decrease) for provisions | | |
| Employee entitlements (net) | 133,247 | 1,056 |
| Superannuation expense | 517,985 | 627,341 |

(b) Key Performance Indicators

| | | |
|---------------------------|--------|--------|
| Bar | | |
| Gross profit percentage | 66.95% | 63.97% |
| Wages to sales percentage | 26.14% | 28.37% |
| Catering | | |
| Gross profit percentage | 82.90% | 75.90% |
| Wages to sales percentage | 36.94% | 45.29% |
| EBITDA percentage | 13.02% | 13.58% |

4. INCOME TAX

The company is liable for income tax only on income derived from non-members and from investments with outside entities. Additional income tax is payable as a result of the club industry negotiating with the Australian Taxation Office (ATO) in regards to the assessability of commission income.

| | 2020 | 2019 |
|---|-------------------|-------------------|
| | \$ | \$ |
| INCOME TAX EXPENSE | | |
| The amount set aside for income tax in the profit and loss account has been calculated as follows:- | | |
| Proportion of income attributable to non-members | 2,022,612 | 2,190,951 |
| Less: Proportion of expenses attributable to non-members | <u>1,646,492</u> | <u>1,792,101</u> |
| | 376,120 | 398,850 |
| Add: Other taxable income | <u>299,510</u> | <u>420,050</u> |
| | 675,630 | 818,900 |
| Less: Other deductible expenses | <u>(852,258)</u> | <u>(902,618)</u> |
| Net taxable income/(loss) | <u>(176,628)</u> | <u>(83,718)</u> |
| Income tax applicable to above | - | - |
| Plus/(Less): Income tax (over)/under provided in prior years | <u>-</u> | <u>-</u> |
| Total income tax expense | <u>-</u> | <u>-</u> |
| Current Company tax payable | <u>-</u> | <u>-</u> |
| | | |
| 5. CASH (CURRENT) | | |
| Cash on hand | 331,000 | 334,000 |
| Cash at bank | <u>4,199,675</u> | <u>4,161,187</u> |
| | <u>4,530,675</u> | <u>4,495,187</u> |
| | | |
| 6. INTEREST BEARING BANK TERM DEPOSITS | | |
| Bank Term Deposits | <u>14,110,756</u> | <u>12,012,546</u> |
| | 14,110,756 | 12,012,546 |
| | | |
| 7. RECEIVABLES (CURRENT) | | |
| Government Subsidies owing | 376,250 | - |
| Trade debtors - amounts owing | <u>6,174</u> | <u>19,926</u> |
| | <u>382,424</u> | <u>19,926</u> |
| | | |
| 8. INVENTORIES (CURRENT) | | |
| Raw materials and stores | <u>178,228</u> | <u>201,154</u> |
| | | |
| 9. OTHER (CURRENT) | | |
| Prepayments | <u>362,976</u> | <u>388,879</u> |

| | 2020 \$ | 2019 \$ |
|---|----------------------|-------------------|
| 10. PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT) | | |
| Freehold Land (45-47 Rawson Street) at cost | 1,754,976 | 1,754,976 |
| Club Building & Improvements at cost | 25,993,124 | 25,898,053 |
| <u>Less</u> accumulated depreciation | 15,958,028 | 15,194,779 |
| | <u>10,035,096</u> | <u>10,703,274</u> |
| Total Land & Buildings (Core Property) | <u>11,790,072</u> | <u>12,458,250</u> |
| Club Vehicles at cost | 212,747 | 236,547 |
| <u>Less</u> accumulated depreciation | 106,341 | 176,810 |
| | <u>106,406</u> | <u>59,737</u> |
| Gaming Furniture at cost | 7,296,759 | 7,159,168 |
| <u>Less</u> accumulated depreciation | 2,593,380 | 2,378,931 |
| | <u>4,703,379</u> | <u>4,780,237</u> |
| Plant and Equipment, Furniture and Fittings at cost | 5,311,926 | 4,710,905 |
| <u>Less</u> accumulated depreciation | 2,810,054 | 1,936,355 |
| | <u>2,501,872</u> | <u>2,774,550</u> |
| Total Plant & Equipment | <u>7,311,657</u> | <u>7,614,524</u> |
| Tableware Items at cost | (Note 1 (e)) 132,072 | 132,072 |
| Uniforms at cost | (Note 1 (e)) 41,518 | 41,518 |
| | <u>173,590</u> | <u>173,590</u> |
| TOTAL PROPERTY, PLANT & EQUIPMENT | <u>19,275,319</u> | <u>20,246,364</u> |

Valuations

These valuations have not been taken up in the financial statements:
Valuations 1 July 2016

Freehold Land (45-47 Rawson Street) 24,800,000

Valuation by registered valuers Hymans Valuers - Nicholas Brady, Registered Valuer No 68548.
The above freehold property is classified as "Core Property" in accordance with the requirements of the Registered Clubs Act (2006).

Movement in Carrying Amounts

| | Freehold Land | Club Building | Club Vehicles | Gaming | Plant & Equipment | Total |
|-----------------------------------|------------------|-------------------|------------------|------------------|----------------------|-------------------|
| Balance at beginning of year | 1,754,976 | 10,703,274 | 59,737 | 4,780,237 | 2,774,550 | 20,072,774 |
| Additions | - | 95,071 | 103,195 | 720,185 | 601,021 | 1,519,472 |
| Depreciation | - | (763,249) | (18,532) | (797,043) | (873,699) | (2,452,523) |
| Disposals | - | - | (30,445) | - | - | (30,445) |
| Loss on disposal | - | - | (7,549) | - | - | (7,549) |
| Carrying amount at end of year | <u>1,754,976</u> | <u>10,035,096</u> | <u>106,406</u> | <u>4,703,379</u> | <u>2,501,872</u> | <u>19,101,729</u> |

| | 2020 \$ | 2019 \$ |
|---|----------------|----------------|
| 11. INVESTMENT PROPERTIES (Non-core Property) | | |
| Opening balance as at 1 July | 650,501 | 650,501 |
| Additions | - | - |
| Disposals | - | - |
| Closing balance as at 30 June | <u>650,501</u> | <u>650,501</u> |

It is a requirement of the Corporations Act 2001 for the directors to form a view as to the valuation of land and buildings as at 30 June 2020. The directors therefore believe that a reasonable value for the purpose of the Corporations Act 2001 is the current book value shown in the financial statements. Therefore both core and non-core properties were not revalued this year.

The land holdings of The Epping Club Limited are classified as either core or non-core properties, as listed below

Core Properties

- The Epping Club premises at 45-47 Rawson Street, Epping

Non-Core Properties

- 50E Rawson Street, Epping

12. INTANGIBLE ASSETS (NON-CURRENT)

| | | |
|--------------------------------------|------------------|------------------|
| Poker Machine Entitlements - at cost | <u>1,912,507</u> | <u>1,912,507</u> |
| Balance at beginning of year | 1,912,507 | 1,262,507 |
| Additions - at cost | - | 650,000 |
| Closing carrying value at cost | <u>1,912,507</u> | <u>1,912,507</u> |

At the end of the reporting period the company assessed the recoverable amount of poker machine entitlements based on an active market at year end and conclude the values are not impaired. The entitlements, which are considered to be intangibles, have an indefinite life and amortisation need not be considered. Each poker machine licence is an effective cash generating unit.

13. CREDITORS AND BORROWINGS (CURRENT)

| | | |
|------------------------------------|------------------|----------------|
| Poker Machine Tax Levy (see below) | 1,481,307 | 331,344 |
| Trade Creditors | 429,075 | 428,570 |
| Goods and Services Tax | 128,627 | 182,285 |
| | <u>2,039,009</u> | <u>942,199</u> |

In April 2020 the NSW Government announced, as part of its stimulus measures, gaming tax relief for registered clubs. Poker machine tax levy payments have been deferred until September 2020.

| | | 2020 \$ | 2019 \$ |
|-----|---|----------------------------|-------------------|
| 14. | CURRENT TAX LIABILITIES | | |
| | Income Tax Payable | (Note 4) <u>-</u> | <u>-</u> |
| 15. | PROVISIONS (CURRENT) | | |
| | Employee Entitlements | <u>700,904</u> | <u>635,318</u> |
| 16. | OTHER LIABILITIES (CURRENT) | | |
| | Deferred Function Income | 461,544 | 475,535 |
| | Deferred Subscription Income | (Note 1(i)) <u>25,191</u> | <u>25,554</u> |
| | | <u>486,735</u> | <u>501,089</u> |
| 17. | PROVISIONS (NON-CURRENT) | | |
| | Employee Entitlements | <u>664,358</u> | <u>596,697</u> |
| 18. | OTHER LIABILITIES (NON-CURRENT) | | |
| | Deferred Subscription Income | (Note 1(i)) <u>121,328</u> | <u>127,217</u> |
| 19. | EMPLOYEE ENTITLEMENTS | | |
| | The aggregate employee entitlement liability recognised and included in the financial statements is as follows: | | |
| | Provision for employee entitlements | | |
| | Current (Note 15) | 700,904 | 635,318 |
| | Non-Current (Note 17) | <u>664,358</u> | <u>596,697</u> |
| | | <u>1,365,262</u> | <u>1,232,015</u> |
| | Number of employees at end of financial year | <u>149</u> | <u>141</u> |
| 20. | RETAINED EARNINGS | | |
| | Operating Profit/(Loss) before income tax | 266,508 | 1,048,161 |
| | Income tax attributable to operating profit | (Note 4) <u>-</u> | <u>-</u> |
| | Operating Profit/(Loss) after income tax | <u>266,508</u> | <u>1,048,161</u> |
| | Retained profits at the beginning of the financial year | <u>37,124,544</u> | <u>36,076,383</u> |
| | Retained profits at the end of the financial year | <u>37,391,052</u> | <u>37,124,544</u> |

| | 2020 | 2019 |
|---|---------------|---------------|
| | \$ | \$ |
| 21. EXPENDITURE COMMITMENTS | | |
| <u>Capital Expenditure</u> - There was no Capital Expenditure Commitment as at 30 June 2020 | - | - |
| 22. SUPERANNUATION COMMITMENTS | | |
| Contributions are made by the Company to an award-based superannuation fund for all employees and a Company retirement fund for employees who qualify for acceptance. All contributions are charged as expenses as they occur. The Company has no legal obligation to cover any shortfall in the funds' obligations to provide benefits to employees on retirement. | | |
| 23. KEY MANAGEMENT PERSONNEL DISCLOSURES | | |
| (a) The Directors of The Epping Club Limited during the year were: D. Taylor, J. Curdie, J. Prestidge, B. Hoschke, M. Falconer, D Fitzgerald, S. Wallace, K. Baker, J. Donohoe, M. Falconer. | | |
| Aggregate income received by the Directors as Honorarium approved by the members at the 2019 Annual General Meeting | <u>70,251</u> | <u>57,750</u> |
| 24. CONTINGENT LIABILITIES | | |
| A contingent liability exists with regard to bonus points earned prior to 30th June 2020 but not redeemed by that date. The amount outstanding is: | <u>62,036</u> | <u>74,936</u> |
| 25. LIMITATION OF MEMBERS' LIABILITY | | |
| In accordance with the Memorandum of Association the liability of members, in the event of the Company being wound up, would not exceed \$2 per member. | | |
| 26. REMUNERATION OF AUDITORS | | |
| Amounts received by W L Browne & Associates for: | | |
| - Audit of financial statements | 34,400 | 34,400 |
| - Other services in relation to the club | 3,600 | 4,000 |
| | <u>38,000</u> | <u>38,400</u> |

| | 2020 \$ | 2019 \$ |
|--|------------------|------------------|
| 27. NOTES TO THE STATEMENT OF CASH FLOWS | | |
| (A) Reconciliation of Cash: | | |
| For the purposes of the Statement of Cash Flows cash includes cash on hand and in banks and investments in money market instruments net of outstanding bank overdraft. | | |
| Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows: | | |
| Cash on hand | 331,000 | 334,000 |
| Cash at bank | 4,199,675 | 4,161,187 |
| | <u>4,530,675</u> | <u>4,495,187</u> |
| (B) Reconciliation of net cash provided by operating activities to operating profit after Income Tax: | | |
| Operating Profit after extraordinary items and income tax | 266,508 | 1,048,161 |
| <u>Add Back Non Cash Outlays</u> | | |
| Depreciation & Amortisation of Non-current Assets | 2,452,523 | 2,440,000 |
| Loss on sale of assets | 7,549 | - |
| (Decrease)/Increase in income tax payable | - | (214,989) |
| Changes in net Assets & Liabilities: | | |
| (Increase)/Decrease in current receivables | (362,498) | 89,625 |
| (Increase)/Decrease in current inventories | 22,926 | 15,103 |
| (Increase)/Decrease in current other assets | 25,903 | 432,410 |
| Increase/(Decrease) in trade creditors | 1,096,810 | (326,120) |
| Increase/(Decrease) in current provisions | 65,586 | 32,324 |
| Increase/(Decrease) in non-current provisions | 67,661 | (31,268) |
| Increase/(Decrease) in deferred income | (20,243) | (17,341) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>3,622,725</u> | <u>3,467,905</u> |
| (C) Financing Facilities | | |

The Company has a secured arrangement with the National Australia Bank to provide the following credit standby and loan facilities:-

| | | | |
|--------------------|-----------------|---------------|---------------|
| (i) Bank Overdraft | - amount used | - | - |
| | - amount unused | 50,000 | 50,000 |
| | | <u>50,000</u> | <u>50,000</u> |

The Bank Overdraft facility is secured by a registered first mortgage over the Club's freehold land and buildings at 45-47 Rawson Street Epping.

- (ii) Bank Guarantee Facility of \$15,000 in favour of Joint Coal Board for rental bond.
- (iii) Business card facility - \$20,000

Amendment to Note 23 – Key Personnel details

presented with Annual Financial Accounts Reports for year ended June 2020 as approved at
AGM on 1.10.2020

23. Key Management personnel details

(a) Directors

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

David Taylor
John Curdie OAM
John Prestidge RFD ED
Dr Barry Hoschke
Seona Wallace
Denis Fitzgerald AM
Kirsten Baker
John Donohoe
Max Falconer MBE

(b) Other key management personnel

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

Peter Saez Chief Executive Officer
Stephen Anson Chief Operating Officer

(c) Key management personnel compensation

| | 2020 | 2019 |
|--|------------|------------|
| | \$ | \$ |
| Benefits and payments made to the directors and other key management personnel | 692,744.00 | 693,768.00 |