



**Wallsend RSL and Community
Club Limited**

ACN 000 958 136

**Annual Financial Report
for the year ended 31 May 2021**

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Annual financial report for the year ended 31 May 2021

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These financial statements are the financial statements of Wallsend RSL and Community Club Limited. The financial statements are presented in the Australian currency.

The financial statements were authorised for issue by the Directors on 28 July 2021. The Directors have the power to amend and reissue the financial statements.

Director's report

Your Directors present their report on Wallsend RSL and Community Club Limited (the Company) for the year ended 31 May 2021.

Directors details

The following persons were Directors of Wallsend RSL and Community Club Limited during the financial year, and up to the date of this report:

Peter Moore

President
Director since 1986
B. Comm, Dip Ed & JP. Retired Senior Education Officer of 26 years.

Terence Morgan

Vice President
Director since 2009
Dip Comm, Dip Law. Solicitor since 1982.

Barry Twomey

Director
Director since 1983
Retired Industry Supervisor. Worked 12 years in the Steel Industry.

Ian Healey

Director
Director since 1996
Retired Sales Executive with Breweries and Bank Officer

Allan Crumpton

Director
Director since 2013
Cert Mgt. Retired Senior Police Officer.

Jason Dunn

Director
Director since 2019
B Comm, B Laws, Dip Legal Practice. Solicitor since 2003.

Greg Boswell

Director
Director since 2020
Retired Cameraman, Commercial Director and Advertising Agency Partner

Company secretary

Mr John Hume has been the Chief Executive Officer and Company Secretary of Wallsend RSL and Community Club Limited for 19 years. Prior to this Mr Hume has held management positions in other large registered Clubs in the Sydney area.

Director's meetings

The number of meetings the Directors held during the year and the number of meetings attended by each director is as follows:

Board members	Board meetings		
	A	B	
Peter Moore	12	12	
Terence Morgan	12	12	
Barry Twomey	12	10	
Ian Healey	12	12	
Allan Crumpton	12	11	
Jason Dunn	12	11	
Greg Boswell	Appointed 01/09/2020	10	9
Sonia Hornery	Resigned 04/08/2020	2	1

Where:

- column A: the number of meetings the Director was entitled to attend
- column B: the number of meetings the Director attended

Core and non-core property

Pursuant to Section 41E(5) of the Registered Clubs Act 1976 (NSW) for the financial year ended 31 May 2021, the following land and buildings are considered to be core property and non-core property:

Core Property

- 5-13 Tyrrell Street, Wallsend
- 1A Lowe Street Wallsend
- 5 Fogo Street, Wallsend

Non-Core Property

- 12-16 Charles Street, Wallsend
- 15-17 Tyrrell Street, Wallsend
- 4 Tyrrell Street, Wallsend
- 6 Kemp Street, Wallsend
- 8 Charles Street, Wallsend

Director's report (Continued)

Principal activities

During the year, the principal activities of the Company was the running of the Company in accordance with its objectives for the benefits of its members.

There have been no significant changes in the nature of these activities during the year.

Significant changes in state of affairs

As a result of the spread of COVID-19 the Federal Government announced the closure of all Registered Clubs effective 23 March 2020 however the Company was allowed to re-open and re-commenced trading from 1 June 2020 with restrictions in place which have continued in varying degrees to date.

There were and continue to be a range of measures introduced by the Government to support businesses and the Company was eligible as a result of the impact of the initial shutdowns announced due to the COVID-19 pandemic. The Company anticipates continued challenging trading conditions until such time that a return to normal operations is possible. The extent of any loss incurred should any future shutdown be enforced may impact existing cash reserves, with the financial position of the Company being monitored on an ongoing basis by management and the Board.

Short and long-term objectives

The Company's short and long-term objectives are to:

- Provide the best facilities available to members and guests with a special interest in the welfare of the returned service men and women.

Strategy for achieving short and long-term objectives

To achieve these objectives the Company has adopted the following strategies:

- Increase existing revenue levels and control costs to improve profitability which will allow the Company's premises to be continually improved.

Performance measurement

These strategies are measured through both financial and non financial key performance indicators that have been developed relevant to the club industry. The Company measures its performance against industry benchmarks, gross profit percentage and wages to sales percentages to measure the financial performance of trading areas such as bar and gaming. The Company also uses EBITDA to measure the financial performance of the Company overall.

Contribution in winding up

The Company is incorporated under the Corporations Act 2001 and is a Company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$5 each towards meeting any outstanding obligations of the Company. At 31 May 2021 the total amount that members of the Company are liable to contribute if the Company wound up is \$79,565 (2020: \$78,190).

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with the instrument to the nearest dollar.

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 and forms part of this Directors' report.

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



Peter Moore - Director



Terence Morgan - Director

Dated: 28 July 2021

Wallsend, NSW

Auditor's independence declaration

To the Directors of Wallsend RSL and Community Club Limited

In accordance with the requirements of Corporations Act 2001, as lead auditor for the audit of Wallsend RSL and Community Club Limited for the year ended 31 May 2021, I declare that, to the best of my knowledge and belief, 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.

Kirsty Porteous

Kirsty Porteous - Partner

DFK Crosbie Partners

DFK Crosbie Partners
Chartered Accountants

Dated: 28 July 2021
Newcastle West, NSW

Statement of profit or loss and other comprehensive income

For the year ended 31 May 2021

	Notes	2021 \$	2020 \$
Revenue from continuing operations	2	17,821,359	15,559,031
Other Income	3	1,625,021	734,997
Bar cost of goods sold		(941,462)	(940,998)
Bar direct expenses		(628,951)	(783,377)
Bistro cost of goods sold		(768,588)	(942,478)
Bistro direct expenses		(1,518,639)	(1,699,661)
Gaming direct expenses		(5,731,670)	(5,033,885)
Rental operations		(11,763)	(19,873)
TAB and keno direct expenses		(223,866)	(223,518)
Promotional expenses		(340,970)	(718,018)
Administration expenses		(5,896,141)	(6,608,817)
Finance costs		(96,888)	(120,260)
Share of net profit / (loss) from joint ventures using the equity method		(34,745)	-
Bowls expenses		(185,538)	(201,340)
		(16,379,221)	(17,292,225)
Profit / (loss) before income tax		3,067,159	(998,197)
Income tax expense	4	-	-
Profit / (loss) for the year		3,067,159	(998,197)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		3,067,159	(998,197)

The above *statement of profit or loss and other comprehensive income* should be read in conjunction with the accompanying notes

Wallsend RSL and Community Club Limited
Statement of financial position
For the year ended 31 May 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	4,805,367	2,953,787
Trade receivables	6	185,089	10,167
Inventories	7	186,497	196,055
Financial assets at amortised cost	8	750,000	282,000
Other assets	9	310,220	242,453
Total current assets		6,237,173	3,684,462
Non-current assets			
Property, plant and equipment	10	22,996,004	22,862,056
Investment properties	11	1,610,000	1,495,000
Investments - equity method	12	4,812,518	4,093,090
Intangible assets	13	2,780,580	2,780,580
Right-of-use asset	14	472,357	494,336
Total non-current assets		32,671,459	31,725,062
Total assets		38,908,632	35,409,524
LIABILITIES			
Current liabilities			
Trade and other payables	15	1,803,124	1,416,979
Financial liabilities	16	-	3,088,688
Provisions	17	759,126	621,459
Other liabilities	18	64,434	67,317
Lease liabilities	14	64,961	91,281
Total current liabilities		2,691,645	5,285,724
Non-current liabilities			
Financial liabilities	16	3,058,688	-
Provisions	17	96,620	180,205
Other liabilities	18	53,075	59,014
Lease liabilities	14	241,218	184,354
Total non-current liabilities		3,449,601	423,573
Total liabilities		6,141,246	5,709,297
Net assets		32,767,386	29,700,227
MEMBERS FUNDS			
Reserves	19	517,757	517,757
Retained profits		32,249,629	29,182,470
Total members funds		32,767,386	29,700,227

The above *statement of financial position* should be read in conjunction with the accompanying notes

Wallsend RSL and Community Club Limited
Statement of changes in equity
 For the year ended 31 May 2021

	Reserves	Retained	Total
	\$	\$	\$
Balance at 1 June 2019	517,757	30,180,667	30,698,424
Profit / (Loss) for the year	-	(998,197)	(998,197)
Total comprehensive income for the year	-	(998,197)	(998,197)
Balance at 31 May 2020	517,757	29,182,470	29,700,227
Profit / (Loss) for the year	-	3,067,159	3,067,159
Total comprehensive income for the year	-	3,067,159	3,067,159
Balance at 31 May 2021	517,757	32,249,629	32,767,386

The above *statement of changes in equity* should be read in conjunction with the accompanying notes

Statement of cash flows

For the year ended 31 May 2021

Notes	2021 \$	2020 \$
Cash flows from operating activities		
Receipts from members and customers	19,231,200	17,508,386
Payments to suppliers and employees	(14,998,055)	(16,683,214)
Interest received	777	9,033
Interest paid	(96,888)	(120,260)
Government stimulus funding	1,648,000	283,500
Net cash inflow (outflow) from operating activities	<u>5,785,034</u>	<u>997,445</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(2,352,043)	(991,001)
Transfer from / (to) Interest Bearing Deposit	(750,000)	-
Proceeds from sale of property, plant and equipment	33,435	120,781
Payments for investments	(719,973)	(815,779)
Net cash inflow (outflow) from investing activities	<u>(3,788,580)</u>	<u>(1,685,999)</u>
Cash flows from financing activities		
Proceeds from borrowings	900,000	-
Repayment of lease liabilities	(114,873)	(118,491)
Repayment of borrowings	(930,000)	(400,000)
Net cash inflow (outflow) from financing activities	<u>(144,873)</u>	<u>(518,491)</u>
Net increase in cash and cash equivalents	1,851,580	(1,207,045)
Cash and cash equivalents at the beginning of the financial year	<u>2,953,787</u>	<u>4,160,832</u>
Cash and cash equivalents at the end of the financial year	<u>4,805,367</u>	<u>2,953,787</u>

The above *statement of cash flows* should be read in conjunction with the accompanying notes

Notes to the financial statements

For the year ended 31 May 2021

1 Summary of significant accounting policies

(a) Basis of preparation

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Wallsend RSL and Community Club Limited (the Company) is a not for profit entity for financial reporting purposes under Australian Accounting Standards.

(b) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 June 2020:

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current

The principal accounting policies adopted are consistent with those of the previous financial year except for the policies stated below:

AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current

The Company has adopted AASB 2020-1 'Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current' from 1 April 2020. AASB 2020-1 removes the requirement to classify a liability as current where there is not an unconditional right to defer settlement for a period of greater than 12 months, and requires any liability where the entity has the right to defer settlement at the end of the reporting period (e.g. by virtue of meeting any specified conditions such as loan covenants) to now be classified as non-current.

As a result of the adoption of AASB 2020-1, the Co-operative has classified its bank loan under non-current liabilities in the statement of financial position.

(c) Statement of compliance

This financial report complies with Australian Accounting Standards - *Reduced Disclosure Requirements* as issued by the Australian Accounting Standards Board (AASB).

The financial report has been prepared on an accruals basis and is based on historical costs, except for investment properties which have been measured at fair value. The financial report is presented in Australian Dollars.

(d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, are presented as operating cash flows.

(e) Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest dollar.

Notes to the financial statements

For the year ended 31 May 2021

2 Revenue**(a) Disaggregation of revenue from contracts with customers**

The Company derives revenue from the transfer of goods and services over time and at a point in time for the following services:

	Beverage Revenue	Raffle and Bingo Revenue	Gaming Revenue	Food Revenue	Bowls Revenue	Other Revenue	Total
2021	\$	\$	\$	\$	\$	\$	\$
Revenue from contracts with customers	2,261,661	188,631	12,720,541	1,882,543	75,617	658,006	17,786,999
Other revenue (not covered by AASB15)	-	-	34,360	-	-	-	34,360
	<u>2,261,661</u>	<u>188,631</u>	<u>12,754,901</u>	<u>1,882,543</u>	<u>75,617</u>	<u>658,006</u>	<u>17,821,359</u>

Timing of revenue recognition

At a point in time	2,261,661	188,631	12,720,541	1,882,543	75,617	585,368	17,714,361
Over time	-	-	34,360	-	-	72,638	106,998
	<u>2,261,661</u>	<u>188,631</u>	<u>12,754,901</u>	<u>1,882,543</u>	<u>75,617</u>	<u>658,006</u>	<u>17,821,359</u>

	Beverage Revenue	Raffle and Bingo Revenue	Gaming Revenue	Food Revenue	Bowls Revenue	Other Revenue	Total
2020	\$	\$	\$	\$	\$	\$	\$
Revenue from contracts with customers	2,583,192	314,867	9,934,933	2,329,148	75,486	288,477	15,526,103
Other revenue (not covered by AASB15)	-	-	32,928	-	-	-	32,928
	<u>2,583,192</u>	<u>314,867</u>	<u>9,967,861</u>	<u>2,329,148</u>	<u>75,486</u>	<u>288,477</u>	<u>15,559,031</u>

Timing of revenue recognition

At a point in time	2,583,192	314,867	9,934,933	2,329,148	75,486	218,433	15,456,059
Over time	-	-	32,928	-	-	70,044	102,972
	<u>2,583,192</u>	<u>314,867</u>	<u>9,967,861</u>	<u>2,329,148</u>	<u>75,486</u>	<u>288,477</u>	<u>15,559,031</u>

(b) Accounting policies and significant judgements

The Company recognises revenue related to the transfer of promised goods or services when a performance obligation is satisfied and when control of the goods or services passes to the customer. The amount of revenue recognised reflects the consideration to which the Company is or expects to be entitled in exchange for those goods or services.

The Company considers whether there are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. loyalty points program). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

(i) Sale of goods - beverage

Revenue from the sale of beverages is recognised at a point in time when the physical control of the goods passes to the customer.

(iv) Provision of services - raffle and bingo income

Raffle and bingo income is recognised at a point in time when the customer takes possession of the ticket and the raffle or bingo game has been conducted as at this point the performance obligations have been satisfied.

(iii) Provision of services - gaming income

Revenue from rendering services from gaming facilities to members and other patrons of the Company is recognised when the services are provided. Gaming revenue is measured at the fair value of the consideration received from the net position of the wagers placed less customer winnings paid out. Commission revenue where the Company acts as an agent for third parties who provide wagering services to members and guests is recognised at a point in time when the wagering transaction has been completed.

TAB and Keno: Commission income where the Company acts as an agent for third parties who provide wagering services to members and guests is recognised at a point in time when the wagering transaction has been completed

Notes to the financial statements

For the year ended 31 May 2021

2 Revenue (continued)**(b) Accounting policies and significant judgements (continued)***(iv) Sale of goods - food*

Revenue from the sale of food is recognised at a point in time when the physical control of the goods passes to the customer.

(v) Provision of services - bowls revenue

Revenue from rendering services from bowling activities to members and other patrons of the Company is recognised when the service are provided.

(ii) Other revenue

Included within other revenue is membership subscriptions are recognised over the term of membership and any unearned portion is deferred and included in contract liabilities. Membership revenue is measured with reference to the fee received and the period of membership that the member has paid for.

The balance of other revenue is recognised at a point in time when the performance obligation has been satisfied.

3 Other income and expense items

	2021	2020
	\$	\$
(a) Other income		
Rental income	74,228	72,606
Interest income	777	9,033
Insurance recoveries	69,561	9,755
Change in property fair value	114,455	-
Government stimulus income - Jobkeeper	1,266,000	565,500
Government stimulus income - Cashflowboost	100,000	-
Gain on disposal of fixed assets	-	78,103
	<u>1,625,021</u>	<u>734,997</u>

(i) Rental income (investment property)

Rental income is recognised in the statement of profit or loss and other comprehensive income on a straight line basis over the term of the lease. The Company recognises rental revenue on a straight line basis with reference to the applicable CPI increases, discount rates and any relevant rental incentives.

(ii) Interest income

Interest income is recognised on an accruals basis.

(iii) Gain on disposal of fixed assets

The Company recognises gains and losses on disposal of property, plant and equipment by comparing proceeds received on sale with the carrying amount of the asset being sold.

(iv) Other income

The Company recognises stimulus funding from the Australian Taxation Office when this is received as there is no specific performance obligation in relation to this funding. The Company recognises income from JobKeeper stimulus payments when these accrue. The Company is eligible for payment when eligible employees have been paid.

(v) Change in fair value

The Company recognises the change in fair value of investment property based on the assessment of an independent expert, representing the non-cash gain in relation to investment properties.

(b) Other expenses

Employee Benefits Expense	5,434,485	5,478,627
Loss on disposal of Assets	11,011	-
Depreciation and Amortisation	2,361,444	2,523,644
Interest costs	96,888	120,260

Notes to the financial statements

For the year ended 31 May 2021

	2021 \$	2020 \$
4 Income tax expense		
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
The Income Tax Assessment Act 1936 (amended) provides that under the concept of mutuality, Companies are only liable for income tax on income derived from non-members and from outside entities. The amount set aside for income tax in the statement of profit or loss and other comprehensive income has been provided on a taxable income calculated as follows:		
Operating profit/(loss) before income tax	3,067,159	(998,197)
Tax at the Australian tax rate at 26% (2020: 27.5%)	797,461	(274,504)
Non deductible expenses	36,741	14,464
Apportionment adjustment members income and expenses	(439,707)	203,310
Temporary differences	17,187	16,063
Deferred tax asset for tax losses not brought to account	-	40,667
Recoupment of tax losses	(411,682)	-
Income tax expense	<u>-</u>	<u>-</u>

(b) The Directors estimate that the potential deferred tax asset as at 31 May 2021 not brought to account is as follows:

Tax losses at 25%	136,518	585,603
	<u>136,518</u>	<u>585,603</u>

Accounting policy

Deferred tax assets and liabilities are recognised for deductible and temporary differences where considered material. Deferred tax assets in respect of unused tax losses are only recognised to the extent it is probable that a taxable profit will be available against which deductible temporary differences and carried forward tax losses can be utilised if material.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on the tax rates (and tax law) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income.

5 Cash and cash equivalents**Current**

Cash on hand and at bank	4,805,367	2,953,787
	<u>4,805,367</u>	<u>2,953,787</u>

Accounting policy

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the Statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

6 Trade receivables**Current**

Trade receivables	185,089	10,167
	<u>185,089</u>	<u>10,167</u>

Accounting policy

Trade receivables are recognised initially at the amount of the consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost. Trade receivables are generally due within 30 days from the date of recognition.

Notes to the financial statements

For the year ended 31 May 2021

7 Inventories

	2021	2020
	\$	\$
Current		
Stock on hand - bar	74,825	104,865
Stock on hand - bistro	111,372	90,612
Stock on hand - other	300	578
	<u>186,497</u>	<u>196,055</u>

Accounting policy

Inventories are measured at the lower of cost and current replacement cost.

8 Financial assets at amortised cost

Current

Term deposits	750,000	-
Other receivables - jobkeeper	-	282,000
	<u>750,000</u>	<u>282,000</u>

Accounting policy

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method.

9 Other assets

Current

Prepayments	310,220	242,453
	<u>310,220</u>	<u>242,453</u>

Accounting policy

This includes prepayments made in advance for goods and services which are to be received in a future period.

Notes to the financial statements

For the year ended 31 May 2021

10 Property, plant and equipment

	Land and buildings \$	Plant and equipment \$	Capital work in progress \$	Total \$
Non-current assets				
At 1 June 2020				
Cost	27,017,236	13,287,483	91,406	40,396,125
Accumulated depreciation	(8,146,510)	(9,387,559)	-	(17,534,069)
Net book amount	<u>18,870,726</u>	<u>3,899,924</u>	<u>91,406</u>	<u>22,862,056</u>
Year ended 31 May 2021				
Opening net book amount	18,870,726	3,899,924	91,406	22,862,056
Additions	1,005,675	1,161,669	205,098	2,372,442
Transfers	1,200	28,370	(29,570)	-
Disposals	(544)	(38,871)	-	(39,415)
Depreciation charge	(803,216)	(1,395,863)	-	(2,199,079)
Closing net book amount	<u>19,073,841</u>	<u>3,655,229</u>	<u>266,934</u>	<u>22,996,004</u>
Year ended 31 May 2021				
Cost	28,023,567	13,160,360	266,934	41,450,861
Accumulated depreciation	(8,949,726)	(9,505,131)	-	(18,454,857)
Net book amount	<u>19,073,841</u>	<u>3,655,229</u>	<u>266,934</u>	<u>22,996,004</u>

Accounting policy

(a) Land and buildings

Land and buildings are carried at cost less any accumulated depreciation and any impairment in value.

(b) Plant and equipment

Each class of plant and equipment is carried at cost less any accumulated depreciation and any impairment in value.

(c) Depreciation

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Land and buildings	21 - 50 years
Plant & Equipment	3 - 11 years

(d) Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash in flows, the recoverable amount is determined for the cash generating unit in which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the future economic benefits of an asset are not dependant on the asset's ability to generate net cash inflows and if deprived of the asset the Company would replace its remaining future economic benefit, value in use is determined as the depreciated replacement cost of the asset.

Impairment losses are recognised in the statement of comprehensive income as a separate line item.

Notes to the financial statements

For the year ended 31 May 2021

11 Investment properties

	2021	2020
	\$	\$
Non-current assets - at fair value		
Opening balance at 1 June	1,495,000	1,495,000
Additions	545	-
Net gain / (loss) from fair value adjustment	114,455	-
Closing balance at 31 May	<u>1,610,000</u>	<u>1,495,000</u>

Accounting policy

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition investment properties are stated at fair value. To obtain the fair value, a market appraisal is obtained by the Company from its real estate agent at least once every 3 years. A market valuation was performed by Raine and Horne real estate as at 31 May 2021. The real estate agent frequently assesses the market values for properties similar to those held by the Company in the same areas, having regard to past sales prices of other properties and current market conditions. Gains or losses arising from changes in the fair values of the investment properties are included in the statement of profit or loss and other comprehensive income in the year in which they arise.

Investment properties are no longer recognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognised in the statement of profit or loss and other comprehensive income in that year.

12 Investments - Equity Method**Non-current assets - at cost**

Investment in joint venture (Springs Wallsend Pty Ltd)	4,812,518	4,093,090
	<u>4,812,518</u>	<u>4,093,090</u>

Accounting policy

The investment in Springs Wallsend Pty Ltd is a joint venture accounted for using the equity method. The club has joint control and 25% ownership interest. Springs Wallsend Pty Ltd completed the development of a 50 room motel during the financial year, and was open for business in January 2021.

A joint venture is an arrangement that the Company controls jointly with one or more other investors, and over which the Company has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

Interests in joint ventures are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and other comprehensive income of the joint venture, until the date on which significant influence or joint control ceases.

The following table summarises the financial information of Springs Wallsend Pty Ltd as included in its own financial statements.

	2021	2020
	\$	\$
Current Assets		
Cash and Cash Equivalents	26,627	138,347
Financial Assets	2,422	36,567
Other Assets	80	-
Total Current Assets	<u>29,129</u>	<u>174,914</u>
Non Current Assets		
Capital Works in Progress	-	5,068,174
Property, Plant and Equipment	11,009,963	-
Total Non Current Assets	<u>11,009,963</u>	<u>5,068,174</u>
Total Assets	<u>11,039,092</u>	<u>5,243,088</u>
Liabilities		
Trade and other payables	21,505	-
Financial liabilities	3,672,076	-
Total Liabilities	<u>3,693,581</u>	<u>-</u>
Net Assets	<u>7,345,511</u>	<u>5,243,088</u>

Notes to the financial statements

For the year ended 31 May 2021

12 Investments - Equity Method (Cont.)

	2021 \$	2020 \$
Income		
Accommodation	216,061	-
Other Income	5,978	-
Total Income	<u>222,039</u>	<u>-</u>
Expenses		
Commissions	16,711	-
Depreciation	113,671	-
Property management	76,770	-
Interest	61,255	-
Other	92,611	-
Total Expenses	<u>361,018</u>	<u>-</u>
Operating profit / (Loss)	<u>(138,979)</u>	<u>-</u>
Attributed to Wallsend RSL @25%	(34,745)	-
Commitment to provide additional equity capital	<u>-</u>	<u>176,000</u>

13 Intangible assets

	Poker machine entitlements \$	Total \$
Non-current assets		
As at 31 May 2020		
Cost	2,780,580	2,780,580
Net book amount	<u>2,780,580</u>	<u>2,780,580</u>
As at 31 May 2021		
Cost	<u>2,780,580</u>	<u>2,780,580</u>
Net book amount	<u>2,780,580</u>	<u>2,780,580</u>

Accounting policy

Poker machine entitlements are intangible assets acquired separately and are capitalised at cost, the useful lives of these intangible assets are assessed to be indefinite. These are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. The value shown for the poker machine entitlements, being their cost plus transaction costs, were tested for impairment having regard to the market value of such entitlements and the cash flow generated from holding these assets, with no impairment loss adjustment required.

Notes to the financial statements

For the year ended 31 May 2021

14 Leases

2021
\$ **2020**
\$

The Company leases various equipment, poker machines and the air space between Company buildings and Company carpark.

a) Right-of-use asset**Non-current**

Right-of-use assets

472,357 494,336

Reconciliation of right-of-use assets	Club			Total	Total
	Photocopier	Equipment	Airspace		
2021	\$	\$	\$	\$	\$
At 1 June 2020	133,952	226,639	133,745	494,336	461,884
Additions	12,672	131,270	1,475	145,417	142,970
Disposals	-	(5,031)	-	(5,031)	-
Amortisation	(38,303)	(119,963)	(4,099)	(162,365)	(110,518)
31 May 2021	108,321	232,915	131,121	472,357	494,336

b) Lease liabilities**Current**

Lease liabilities

38,843 24,700 1,418 64,961 91,281

Non-current

Lease liabilities

70,851 85,063 85,304 241,218 184,354

Total

109,694 109,763 86,722 306,179 275,635

Reconciliation of lease liabilities	Club			Total	Total
	Photocopier	Equipment	Airspace		
2021	\$	\$	\$	\$	\$
At 1 June 2020	134,209	54,919	86,507	275,635	251,156
Additions	12,672	131,270	1,475	145,417	142,970
Interest expense	6,624	7,738	3,455	17,817	9,593
Lease payments	(43,811)	(84,164)	(4,715)	(132,690)	(128,084)
Net movement during year					
31 May 2021	109,694	109,763	86,722	306,179	275,635

Accounting policy

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. If the terms and conditions of a contract are changed, it is reassessed to once again determine if the contract is still, or now contains, a lease.

The term of a lease is determined as the non-cancellable period of the lease, together with the periods covered by an option to extend the lease where there is reasonable certainty that the option will be exercised, and periods covered by an option to terminate the lease if there is reasonable certainty that the option will not be exercised.

At inception, a right-of-use asset and a lease liability is recognised. Right-of-use assets are included in the statement of financial position and grouped in classes of similar underlying assets.

Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- an estimate of costs to be incurred in dismantling and removing the underlying asset;
- any initial direct costs incurred;

At the commencement date of the lease, the lease liability is initially recognised for the present value of non-cancellable lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The weighted average incremental borrowing rate is 4.0%.

The lease payment used in the calculation of the lease liabilities includes variable payments when they relate to an index or rate. Where leases contain variable lease payments based on an index or rate at a future point in time, the Company has only included the known CPI increases to date and not estimated future CPI-related increases.

The Company does not recognise leases that have a lease term of 12 months or less or are of low value as a right of use asset or lease liability. The lease payments associated with these leases are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

Notes to the financial statements

For the year ended 31 May 2021

14 Leases (continued)

Lessor

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

As lessor for operating leases, the Company recognises lease payments as income. The underlying asset is depreciated on a straight line basis over its expected useful life.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

15 Trade and other payables

	2021	2020
	\$	\$
Current		
Trade payables	1,803,124	1,416,979
	<u>1,803,124</u>	<u>1,416,979</u>

Accounting policy

Trade and other payables, including accruals, are recorded initially at fair value and subsequently at amortised cost. Trade and other payables are non-interest bearing. Trade accounts payable are normally settled within 30 days.

16 Financial liabilities

Current

Secured

Bank loans (i)	-	3,088,688
Total secured financial liabilities	<u>-</u>	<u>3,088,688</u>

Non-current

Secured

Bank loan (i)	3,058,688	-
Total secured financial liabilities	<u>3,058,688</u>	<u>-</u>

(i) Secured liabilities

The above bank loans and undrawn loan facilities are secured by first mortgages over the Company's non-residential properties located at 6 Kemp St, 4 Tyrrell St, 8 Charles St, 5 Fogo St and first registered equitable mortgage over the whole of the Company's assets and undertakings including uncalled capital.

(ii) Unused financing facilities

The Company has a business card facility of \$50,000 available for use, which is cleared monthly.

Accounting policy

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

Financial liabilities are classified as non-current liabilities if the Company has a right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period.

Notes to the financial statements

For the year ended 31 May 2021

17 Provisions

	2021	2020
	\$	\$
Current		
Employee entitlements (i) & (ii)	759,126	568,406
Bonus point redemptions	-	53,053
	<u>759,126</u>	<u>621,459</u>
Non-current		
Employee entitlements (ii)	46,620	130,205
Provision for make good	50,000	50,000
	<u>96,620</u>	<u>180,205</u>

Accounting policy

(i) *Annual leave*

Liabilities for annual leave expected to be settled within 12 months of the reporting date, are recognised in the provision for employee benefits in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Any annual leave expected to be settled beyond 12 months of the reporting date is measured at the present value of expected future payments.

(ii) *Long service leave*

The liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage levels and period of service. Discount rates of the Australian bond rates matching the estimated future cash outflows have been used.

(iii) *Provision for Make Good*

The Company (lessee) is required to restore the leased premises which it occupies at the end of the lease term to the condition at the beginning of the lease subject to fair wear and tear. A provision has been recognised for the estimated expenditure required to meet the requirements of the lease in relation to "make good". These costs have been included in the calculation of the right-of-use assets and are amortised over the term of the lease.

18 Other liabilities

	2021	2020
	\$	\$
Current		
Contract liabilities - membership revenue	44,859	42,953
Contract liabilities - function revenue	19,575	24,364
	<u>64,434</u>	<u>67,317</u>
Non-current		
Contract Liabilities - membership revenue	53,075	59,014
	<u>53,075</u>	<u>59,014</u>

Accounting policy

Revenues received in advance are recorded as a contract liability if they are in relation to contracts with customers under AASB 15 and recognised as revenue when they are earned in future periods. Other revenue received in advance that is not covered by AASB 15 is recorded as other liabilities and is recognised as revenue when they are earned in future periods.

19 Reserves

	General	Total
	\$	\$
Balance at 1 June 2020	517,757	517,757
Changes to reserves	-	-
Balance at 31 May 2021	<u>517,757</u>	<u>517,757</u>

(i) *Nature and purpose of reserves*

General reserve

Accumulated funds taken over on incorporation.

Notes to the financial statements

For the year ended 31 May 2021

20	Commitments	2021	2020
		\$	\$
(i)	<i>Expenditure Commitments</i>		
	Property, Plant & Equipment - to be expended within 1 year	1,564,397	1,079,000

21 **Contingent liabilities**

Bank guarantee substituting for a security deposit for TAB facilities	10,000	10,000
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22 **Related parties**

Transactions between related parties are on normal commercial terms and conditions, and are no more favourable than those available to other parties unless otherwise stated.

(a) *Key management personnel remuneration*

Total key management personnel benefits	492,654	426,541
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(b) *Transactions with other related parties*

A Director, Mr B. Twomey and a relative of Director Mr P. Moore, lease investment properties from the Company under normal terms and conditions.

A Director, Mr T. Morgan provides legal services to the Club as required on normal terms and conditions with the total paid/payable by the Company being \$14,126 (2020: \$6,037)

23 **Critical accounting estimates and judgements**

Management is required to make judgements, estimates and assumptions about reported amounts of assets, liabilities, income and expenses that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

Judgements made by management that have significant effects on the financial statements and estimates with a significant risk of material adjustment in the next period are disclosed where applicable, in the relevant notes to the financial statements:

- Estimation of useful lives of non-current assets (notes 10, 13 and 14) - The useful life of property, plant and equipment and right-of-use assets (where useful life is greater than the lease term) is initially assessed at the date the asset is ready for use and reassessed at each reporting date based on the use of the assets and the period over which economic benefits will be derived from the asset. There is uncertainty in relation to the assessment of the life of the asset including factors such as the rate of wear and tear and technical obsolescence. The useful life of poker machine entitlements classified as an intangible asset has been assessed as indefinite. There is uncertainty in relation to this assumption as it is based on current legislation and conditions attached to the entitlements. The estimates and judgements involved may impact the carrying value of the non-current assets and the depreciation and amortisation charges recorded in the statement of profit or loss and other comprehensive income should they change.
- Estimation of provision for make good (note 17) - there is estimation uncertainty in relation to a number of components when assessing the measurement of the provision for make good including but not limited to the condition required to restore the premises to, the extent of assets required to be removed and the timing of the cash outflows to satisfy these. The current measurement of the provision for make good represents the Company's best estimate of these components.
- Estimated fair value of investment properties (note 11) - the fair value of investment properties is estimated at each reporting date, based on independent assessments of the market value of the properties and the best available knowledge of current market prices. Estimation uncertainty exists and is related to the various assumptions used in determining the fair value.

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 21 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Company's financial position as at 31 May 2021 and of its performance for the financial year ended on that date, and
- (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.

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



Peter Moore - Director



Terence Morgan - Director

28 July 2021
Wallsend, NSW

Independent auditor's report **to the members of Wallsend RSL and Community Club Limited**

Opinion

We have audited the financial report of Wallsend RSL and Community Club Limited (the Company) which comprises the statement of financial position as at 31 May 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the 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 31 May 2021 and of its financial performance for the year then ended; and
- (ii) complying with Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements.

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

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

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 have no realistic alternative but to do so.

Independent auditor's report (continued)

Matters relating to the electronic presentation of the audited financial report

The auditor's report relates to the financial report of the Company for the year ended 31 May 2021 included on the Company's web site. The Company's Directors are responsible for the integrity of the Company's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

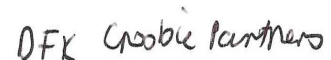
Auditor's responsibilities for the audit of the financial report

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 at http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our audit report.



Kirsty Porteous - Partner



DFK Crosbie Partners
Chartered Accountants

28 July 2021
Newcastle West, NSW

Newcastle | Sydney

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