

Emu Plains Sporting & Recreation Club Ltd

Leonay Parade, Leonay NSW 2750

Annual Report 2019



Emu Plains Sporting & Recreation Club Limited

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Emu Plains Sporting & Recreation Club Limited to be held in the clubhouse, Leonay Parade, Leonay on Thursday 9th July 2020 at 7:30pm.

AGENDA

1. To receive apologies
2. Confirmation of the Minutes of the 50th Annual General Meeting held on 2nd May 2018
3. To receive and approve the reports as written of:
 - President of the Board of Directors
 - Chief Executive Officer
4. Receive and consider the Audited Concise Financial Report of Emu Plains Sporting & Recreation Club Ltd for the year ended 31 December 2019
5. Declare the results of the Nomination and / or Elections for the Positions of President and Directors
6. To receive and consider Notice of two (2) ordinary resolutions
7. General business which may be transacted in accordance with the Club Constitution

Please Note: The date of the AGM and numbers that can attend may be subject to change in line with any restrictions still in place due to social distancing and the corona virus.

A copy of the Clubs Financial Report will be available on the Clubs website from the 18th of June 2020. Members can contact Kylie Moon at the Club to arrange to pick up a hard copy if required. Any questions regarding the financial report, to be submitted in writing to the CEO by 5pm Friday 3rd July 2020.

Details regarding nomination and voting for the positions of President and Directors will be posted on the Clubs Notice Board (near the Proshop) from Monday 25th May 2020.

Andrew Gardner
CEO

Emu Plains Sporting & Recreation Club Limited

CHAIRMAN'S REPORT

Dear Members

2019 has been another year of enormous challenges for the club and its members, with lots of trials and tribulations both in the club and on our golf course that have impacted on the club's operations and finances.

The financial result for the year whilst disappointing must be put into perspective as outlined in the CEO's report and it is not as alarming as it first appears. The Board is confident that the club can improve our financial performance over the next year, with stage 1 of the club's master plan being complete.

The Directors of this club are captivated to achieve the club's goals and objectives in the Business Plan, strategically laying the foundation for our future success to keep the club moving forward. It is with this planning and excellent teamwork of the Board, that the club continues to move forward.

The renovations and changes to the club have been well received by the members and is attracting more patronage from the local community. I would like to thank all the members for their patience, patronage, and support during the transformation of the club premises.

The changes were not confined to the club premises, during the year golf course superintendent Andrew Moon decided to move on to further his career and I would like to wish Andrew all the best for the future and thank him for his efforts on the golf course. The Board decided that the maintenance of our golf course would be outsourced and placed to tender. The successful tender was Superior Turf Services and I would like to welcome Steve and his team to the club and look forward to working together with you in the future.

To the Men's and Ladies Golf Committee's your valued contribution to the game of golf and Leonay Golf Course is to be highly commended, earning immense respect from your peers.

To our very hard-working CEO Andrew Gardner "thank you" for your continued commitment to the club and the service you provide to the Board to ensure the Directors are well informed to make the right decisions for the club.

To the staff of the club your professional and friendly service is greatly appreciated by the members and the Board.

Finally, to my fellow Directors thank you for your hard work, your continued support, dedication and vision for the club and golf course

I look forward to another year that will not be without its share of challenges, to achieve the best results for the club and golf course.

Stephen Hardy
Chairman

Emu Plains Sporting & Recreation Club Limited

CEO REPORT

2019 has been exciting and challenging year for the club with major changes taking place across all areas. The club has posted a loss for 2019 of -\$339,836. This result to some degree was expected due to added costs and changes in operations as we completed renovations. However, there were a few irregular items that have contributed to more than half of this loss that were identified during the end of year Audit including:

1. \$67,500 in paid in advance Carlton Keg Beer rebates removed from the 2019 Profit. This is being apportioned over 2020 as the rebate is earned by volume rather than the full amount being recognised from when it was paid to the club in 2019. This is in line with Australian Accounting Standards which recognises revenue progressively rather than when the cash is received.
2. The write off of \$66,321 in 4th and 14th Hole Work in Progress costs which had not been capitalised (and accordingly depreciated) or expensed (i.e. written off) in the prior 5 financial years. This change in accounting estimate is recognised immediately in profit or loss.
3. \$59,494 in expenses incurred in the Profit and Loss report relating to change over to contract Golf Maintenance, changes in accounting for Hire Purchase agreements, increased depreciation due to the refurbishment works completed and creditor reconciliations.

The club had steadily been increasing revenues across Gaming, Beverage and Food since 2016, however trading in late 2018 was starting to show a slowdown in this growth. Local competition have been able to invest in their business at a level we have been unable to match. New Food and Beverage outlets were scheduled to open in 2019 including the new restaurant precinct on the Nepean River. The Board had been working on the Clubs Master plan since 2017 and it was becoming vital to get this work done to continue further improvement in revenue and to keep on track towards securing the financial future of the club. After receiving the negative vote from members on the proposed 16th land sale, and the delays from Council with approval of the D.A on the 2nd block of land on the 4th – funding the master plan works via increasing debt was our only option available. We could not continue to wait any longer to begin these works.

The Club from June 2019 moved forward with building works to achieve stage 1 and part of stage 2 of the Club House masterplan. These works were considered vital to allow the club to compete on even terms with local competition towards improving revenue further. They have also been done to negate issues the club has been experiencing for many years with failing old equipment, poor efficiency, lack of disabled access and WHS issues. Most of these works were completed by the end of November 2019 and included:

- Complete demolition and removal of the old main bar, sports bar and reception
- Complete demolition and removal of the old kitchen and bistro service area
- Construction of a new kitchen, new bars, TAB, cashier, reception and food service area
- New carpet, painting, audio visual equipment and furniture to the entire club including function rooms
- Construction of a new lift at the front entrance – scheduled for completion by end of March 2020

At the time of writing this review in January 2020, the expected cost of the building works including design and planning at their completion will be \$1,967,414.20 including GST. Outside of this the Club also utilised \$300,000 in leasing to allow for new catering, bar and audio-visual equipment as well as new furniture.

To achieve these works prior to the settlement of block number 2 on the 4th fairway, the club entered into a 12-month agreement with the builder, EVOLVE projects who have funded building works on interest only payment terms. The club after meeting with Penrith Council in December 2019 expects the D.A. on the 2nd block of land on the 4th to be approved in February 2020 with an expected settlement on the sale to be completed by the end of 2020 after subdivision. At this time the club will receive the remaining amount from the sale totalling \$1,415,000.

These funds will be put towards the debt with EVOLVE projects with the remaining amount of debt (approximately \$552,494) to be paid partially from the clubs cashflow in 2020 and through increasing our long-term borrowings by approximately \$400,000. The club is currently investigating options to secure this extra funding via our current or a new long-term lender. This will take our long-term debt from \$1,120,000 to approximately \$1,520,000.

Emu Plains Sporting & Recreation Club Limited

Early indications in December 2019 have been positive with revenue improvement in most areas over 2018's December result. The Boards short term goals for the club in 2020 include:

- To bed down operations in the newly refurbished club and strengthen our marketing to attract more people to the club and further improve revenue. Our budget target for 2020 is an overall Club revenue improvement of 10% on 2018 trading.
- Review and renew the clubs 5-year strategic plan now that over 70% of the club house master plan has been completed.
- Further explore work started in 2018 on the potential for accommodation at the club. Due to the lack of member / resident / Council support for unlocking capital funding from surplus land via residential development, this is our only other option at present to be able to potentially access capital as well as diversify and grow the club's future revenue.
- In line with revenue growth, focus on developing and enacting a plan for paying down long-term debt as well as providing funding towards the completion of the club's master plan.

During the 2nd half of 2019 we also took on an opportunity to make changes to the maintenance of the golf course. I would like to welcome Steven from Superior Turf Services, our new Golf Course maintenance contractor to the club. You have made a dramatic difference in your first 3 months with us to the presentation of the course. We look forward to your commitment and passion continuing to improve the Golf course in the future.

I would like to thank the Board for their hard work and efforts this year and for your support and guidance with developing the master plan and through the refurbishment process. I would also like to thank all the staff including the management team who have had to work hard under constant restrictions and changing conditions as we conducted the building works.

Lastly, I would like to thank all our members and guests who have supported the club during the building works. Your continued patronage has been vital in assisting us financially through a difficult process. The Board, Management and staff are very pleased to now be able to offer our members a well presented and welcoming club house environment. We look forward to further improving the Club and Golf course and cementing the club and its services in place for our members and local community well into the future.

Addendum – Written 17th of April 2020

At the time of writing this report in late January, the Corona Virus was just a small news item that no one in the Club Industry was expecting to turn into shutting the doors on Clubs from the 23rd of March 2020. January and February 2020 trade at our club was on average 30% up on 2019 and we were continuing to see improvement across all areas. Suddenly this was changed overnight. The Board, Staff and I continue to work along a plan for the survival of the Club and we look forward to welcoming our members and guests back once we can reopen.

Andrew Gardner

CEO

Emu Plains Sporting and Recreation Club Limited

ABN 83 000 701 922

Annual Report - 31 December 2019

Emu Plains Sporting and Recreation Club Limited
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Emu Plains Sporting and Recreation Club Limited
Directors' report
31 December 2019

The directors present their report, together with the financial statements, on the company for the year ended 31 December 2019.

Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Stephen Hardy
Leo Bahlmann
Peter Graham
Nathan Sebbens
David Grosse
Sam Barbaro
Ole Nielsen (Resigned April 2020)
Brendan McKeown
Katina Beverage (Appointed February 2019)

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

Operating results

The deficit of the company for the financial year after providing for income tax amounted to \$339,836 (2018: deficit of \$18,852).

Objectives

The company's short term and long term objective is to support the sport of golf and to continue to provide its members with the facilities of a registered club. The company is aiming to identify the implemented greater levels of "non-core" income streams in order to reduce its level of reliance on gaming revenue.

The company has set as an objective to improve the operations of the club to allow it to then focus on the reduction of current levels of debt over the short to medium term.

Strategy for achieving the objectives

In order to achieve its objectives, the company is continually reviewing and updating strategic, business and marketing plans. These plans are prepared and monitored at the Chief Executive Officer and Board levels.

Principal activities

During the financial year, the principal continuing activities of the company were the operation of a sporting and recreation club.

The company has the following membership in 2019, (2018):

Sporting life members 7, (4)
Sporting permanent members 67, (67)
Sporting members 3,713, (3,618)
Sub club members 11, (8)
Male golf members 382, (385)
Male junior golf members 21, (22)
Lady golf members 51, (49)
Lady junior golf members 0, (0)

Total number of members at the end of financial year is 4,252 (2018: 4,153 members).

Emu Plains Sporting and Recreation Club Limited
Directors' report
31 December 2019

Performance measures

The club measures financial and operational performance using the following key indicators:

- annual development of zero based budget that is review line by line and approved by the board;
- EBITDA and EBITDARD performance to the industry standards;
- cashflow;
- departmental measures such as gross profit and wages percentages;
- members feedback; and
- patronage into the premises.

Review of operations

A review of the operations of the company during the financial year and the results of those operations are as follows:

The club has posted a loss for 2019 of \$339,836. This result to some degree was expected due to added costs and changes in operations as we completed renovations. However there were a few irregular items that have contributed to more than half of this loss that were identified during the end of year Audit including:

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Emu Plains Sporting and Recreation Club Limited
Directors' report
31 December 2019

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The priorities for the Board over the next 5 years continue to be:

- Complete the Club House Master Plan Building Works;
- Continue to improve and look after the Golf Course; and
- Continue to explore the potential opportunities the club may have to convert surplus land into capital funding to be used towards extinguishing debt and fund projects that secure the future of the club and golf course. As always should an opportunity arise this will be brought before the members for approval.

The Board has in place a strategic plan and the focus over the next 5 years is to:

- Improve revenue in the club, remain profitable to ensure our financial viability into the future;
- Completely extinguish our current debt with the bank; and
- Generate funds to provide updated facilities in the club and on the golf course for our members and the local community.

After balance date events

The recent announcement by the World Health Organisation in regard to the global pandemic outbreak of COVID-19 and the response of the Australian Government may materially affect the operations of the Company in future financial periods. At the time of this report, the expected economic impact cannot be reliably measured.

In response to the COVID-19 pandemic, the Company ceased clubhouse operations from midday 23 March 2020 on instruction from federal authorities. Golf operations continue, with takeaway food and beverage options being explored by management to ensure positive cash flows throughout the unprecedented COVID-19 response period.

On 30 March 2020, the Company received notification from Trimarant Pty Ltd that all monthly repayments on the loan facility were currently deferred in response to the COVID-19 outbreak.

On 16 April 2020, the Company received notification from Evolve Projects Pty Ltd that all interest payments on the loan facility will be deferred and capitalised from 13 March 2020. Evolve Projects Pty Ltd also confirmed that no action will be taken in regard to the loan during the COVID-19 period.

The Company is exploring opportunities to refinance and consolidate its current and non-current borrowings. In April 2020, the Company received two letters of intent regarding potential refinancing of the Clubs borrowings (approximately \$3.2 million). As at the date of this report, no refinance agreements have been entered into.

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

Future developments

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

Emu Plains Sporting and Recreation Club Limited
Directors' report
31 December 2019

Environmental issues

The Directors believe that the company has complied with all significant environmental regulations under a law of the Commonwealth or of a state or territory.

Dividends

The Corporations Law prohibits a Company Limited by Guarantee from paying dividends.

Information on directors

Name:	Stephen Hardy
Qualifications:	Business Services Manager
Name:	Leo Bahlmann
Qualifications:	Business Owner
Name:	Peter Graham
Qualifications:	Diploma in Business, Member of the Australian Institute of Company Directors (AICD)
Name:	Nathan Sebbens
Qualifications:	Business Services Manager
Name:	David Grosse JP
Qualifications:	Banking Manager
Name:	Sam Barbaro
Qualifications:	Business Owner, Member of the Australian Institute of Company Directors (AICD)
Name:	Ole Nielsen (Resigned April 2020)
Qualifications:	Director
Name:	Brendan McKeown
Qualifications:	Business Owner
Name:	Katina Beverage (Appointed February 2019)
Qualifications:	Marketing Consultant

Meetings of directors

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

	Full Board	
	Attended	Held
Stephen Hardy	9	11
David Grosse	10	11
Ole Nielsen	8	11
Brendan McKeown	10	11
Leo Bahlmann	10	11
Peter Graham	7	11
Nathan Sebbens	9	11
Sam Barbaro	9	11
Katina Beverage	7	10

Held: represents the number of meetings held during the time the director held office.

There were 11 meetings of directors held during the year ended 31 December 2019.

Emu Plains Sporting and Recreation Club Limited
Directors' report
31 December 2019

Indemnifying officer or auditor

During the year, the company effected a directors and officer's liability policy. The insurance policy provides cover for the directors named in this report, the company secretary, officers and former directors and officers of the company.

This policy prohibits the disclosure of the nature of the indemnification and the insurance cover, and the amount of the premium.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of the company.

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 the following page.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Stephen Hardy
Director / Chairman



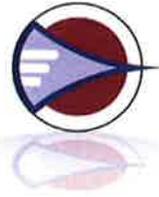
Leo Bahlmann
Director

28 April 2020

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INDEPENDENT AUDITOR'S DECLARATION TO THE MEMBERS OF EMU PLAINS SPORTING & RECREATION CLUB LIMITED

We hereby declare that to the best of our knowledge and belief during the year ended 31 December 2019, there have been:

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

Name of Firm

Bishop Collins Audit Pty Ltd
Chartered Accountants

Name of Registered Company Auditor

Auditor's Registration No.

431227

Address

Unit 1, 1 Pioneer Avenue, Tuggerah NSW 2259

Dated

28 April 2020



CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

LIABILITY LIMITED BY A SCHEME APPROVED UNDER THE PROFESSIONAL STANDARDS LEGISLATION



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMU PLAINS SPORTING & RECREATION CLUB LIMITED

Auditor's Opinion

We have audited the accompanying financial report of Emu Plains Sporting & Recreation Club Limited ('the Company') which comprises the statement of financial position as at 31 December 2019, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

In our opinion, the accompanying financial report of Emu Plains Sporting & Recreation Club Limited is in accordance with the *Corporations Act 2001*, including:

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

Basis of Opinion

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the financial report which indicates the Company's current liabilities (\$2,868,583) exceeded its total current assets (\$358,432) by \$2,510,151. These conditions, along with other matters as set forth in Note 2 of the financial report, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to note 29 in the financial report, which indicates that the financial impact of the global pandemic, COVID-19, cannot be reliably measured at the time of the issue of the financial report. Our opinion is not modified in respect of this matter.



CHARTERED ACCOUNTANTS
AUSTRALIA - NEW ZEALAND

LIABILITY LIMITED BY A SCHEME APPROVED UNDER THE PROFESSIONAL STANDARDS LEGISLATION





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 to the extent described in Note 2 to the financial report, *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.

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.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



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

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

Name of Firm Bishop Collins Audit Pty Ltd
Chartered Accountants

Name of Registered Company Auditor



Auditor's Registration No. 431227

Address Unit 1, 1 Pioneer Avenue, Tuggerah NSW 2259

Dated 28 April 2020

Emu Plains Sporting and Recreation Club Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2019

	Note	2019 \$	2018 \$
Revenue	5	5,217,545	5,229,832
Other income	6	-	3,363
Interest received		63	40
Expenses			
Cost of goods sold		(949,960)	(897,472)
Audit and accounting fees		(25,090)	(32,081)
Bad and doubtful debts expense		-	(3,075)
Computer expenses		(80,354)	(79,375)
Consultancy fees		(9,000)	(12,574)
Depreciation and amortisation expenses	25	(469,689)	(389,377)
Directors' expenses		(1,450)	(4,467)
Employee benefits expenses		(1,888,853)	(1,883,207)
Entertainment and promotion expenses		(334,550)	(289,079)
Finance costs	25	(152,766)	(107,806)
Course maintenance expenses		(167,383)	(103,657)
Members amenities		(82,404)	(87,798)
Motor vehicle expenses		(16,847)	(20,868)
Poker machine duty tax and levy		(298,859)	(320,035)
Repairs and maintenance expenses		(144,927)	(85,325)
Sponsorship and donations paid		(40,689)	(47,897)
Trophies, pennants and competition expenses		(47,064)	(29,668)
Occupancy and administration expenses		(476,254)	(443,356)
Fees and subscriptions expenses		(78,507)	(74,295)
Hire and rental expenses		(60,784)	(112,852)
Courtesy bus expenses		(36,900)	(33,105)
Other expenses		(193,386)	(194,718)
Loss on disposal of assets		(1,728)	-
Deficit before income tax expense		(339,836)	(18,852)
Income tax expense		-	-
Deficit after income tax expense for the year	24	(339,836)	(18,852)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>(339,836)</u>	<u>(18,852)</u>

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

Emu Plains Sporting and Recreation Club Limited
Statement of financial position
As at 31 December 2019

	Note	2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	7	142,052	179,185
Trade and other receivables	8	108,128	43,704
Inventories	9	44,508	49,643
Prepayments	10	63,744	57,982
Total current assets		<u>358,432</u>	<u>330,514</u>
Non-current assets			
Property, plant and equipment	11	7,704,401	7,610,989
Right-of-use assets	12	199,929	-
Intangibles	13	90,000	90,000
Other non-current assets	14	1,831,117	185,965
Total non-current assets		<u>9,825,447</u>	<u>7,886,954</u>
Total assets		<u>10,183,879</u>	<u>8,217,468</u>
Liabilities			
Current liabilities			
Trade and other payables	15	344,119	419,524
Borrowings	16	2,047,117	192,617
Lease liabilities	17	54,537	-
Employee benefits	18	168,807	137,262
Other liabilities	19	254,003	130,920
Total current liabilities		<u>2,868,583</u>	<u>880,323</u>
Non-current liabilities			
Borrowings	20	1,587,220	1,412,977
Lease liabilities	21	153,363	-
Employee benefits	22	23,860	33,479
Total non-current liabilities		<u>1,764,443</u>	<u>1,446,456</u>
Total liabilities		<u>4,633,026</u>	<u>2,326,779</u>
Net assets		<u>5,550,853</u>	<u>5,890,689</u>
Equity			
Reserves	23	4,019,957	4,019,957
Retained surpluses	24	1,530,896	1,870,732
Total equity		<u>5,550,853</u>	<u>5,890,689</u>

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

Emu Plains Sporting and Recreation Club Limited
Statement of changes in equity
For the year ended 31 December 2019

	Asset Revaluation Reserves \$	Retained Surpluses \$	Total equity \$
Balance at 1 January 2018	4,019,957	1,889,584	5,909,541
Deficit after income tax expense for the year	-	(18,852)	(18,852)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(18,852)	(18,852)
Balance at 31 December 2018	<u>4,019,957</u>	<u>1,870,732</u>	<u>5,890,689</u>
	Asset Revaluation Reserves \$	Retained Surpluses \$	Total equity \$
Balance at 1 January 2019	4,019,957	1,870,732	5,890,689
Deficit after income tax expense for the year	-	(339,836)	(339,836)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(339,836)	(339,836)
Balance at 31 December 2019	<u>4,019,957</u>	<u>1,530,896</u>	<u>5,550,853</u>

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

Emu Plains Sporting and Recreation Club Limited
Statement of cash flows
For the year ended 31 December 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		5,689,515	6,484,915
Payments to suppliers and employees (inclusive of GST)		<u>(5,410,388)</u>	<u>(5,979,202)</u>
		279,127	505,713
Interest received		63	40
Finance costs paid		<u>(152,766)</u>	<u>(107,806)</u>
Net cash from operating activities		<u>126,424</u>	<u>397,947</u>
Cash flows from investing activities			
Payments for property, plant and equipment	11	(2,153,732)	(604,766)
Proceeds from disposal of property, plant and equipment		<u>8,000</u>	<u>7,786</u>
Net cash used in investing activities		<u>(2,145,732)</u>	<u>(596,980)</u>
Cash flows from financing activities			
Proceeds from borrowings		2,244,374	1,468,980
Repayment of borrowings		<u>(262,199)</u>	<u>(1,356,576)</u>
Net cash from financing activities		<u>1,982,175</u>	<u>112,404</u>
Net decrease in cash and cash equivalents		(37,133)	(86,629)
Cash and cash equivalents at the beginning of the financial year		<u>179,185</u>	<u>265,814</u>
Cash and cash equivalents at the end of the financial year	7	<u><u>142,052</u></u>	<u><u>179,185</u></u>

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

Emu Plains Sporting and Recreation Club Limited
Notes to the financial statements
31 December 2019

1. General information

The financial statements cover Emu Plains Sporting and Recreation Club Limited as an individual entity. The financial statements are presented in Australian dollars, which is Emu Plains Sporting and Recreation Club Limited's functional and presentation currency.

Emu Plains Sporting and Recreation Club Limited is a not-for-profit unlisted public company limited by guarantee.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 April 2020. The directors have the power to amend and reissue the financial statements.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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

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

AASB 1053 Application of Tiers of Australian Accounting Standards

The company has early adopted AASB 1053 from 1 July 2012. This standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements, being Tier 1 Australian Accounting Standards and Tier 2 Australian Accounting Standards - Reduced Disclosure Requirements. The company being classed as Tier 2 continues to apply the full recognition and measurements requirements of Australian Accounting Standards with substantially reduced disclosure in accordance with AASB 2010-2 and later amending Standards, as relevant.

AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements

The company has early adopted AASB 2010-2 from 1 July 2012. These amendments make numerous modifications to a range of Australian Accounting Standards and Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities in preparing general purpose financial statements. The adoption of these amendments has significantly reduced the company's disclosure requirements.

AASB 16 Leases

AASB 16 replaces AASB 117 Leases and other interpretations. The new standard is effective for the annual reporting periods commencing 1 January 2019 (31 December 2019). The revised standard removes the distinction between operating and finance leases for leases. The standard requires rights and obligations relating to most leases to be recognised on the balance sheet. Upon application of AASB 16 on 1 January 2019, the modified retrospective approach resulted in a right-of-use asset of \$246,496 and lease liability of \$246,496 measured, at the present value of the remaining lease payments using each lessee's respective incremental borrowing rate.

The company has elected to apply exemptions available under AASB 16 for short term leases and low value underlying assets. In addition, the company applied AASB 16 using the modified retrospective approach, along with practical expedients permitted by the standard. The modified retrospective approach does not require the restatement of comparative financial information.

AASB 15 Revenue from Contract with Customers

This standard moves the revenue recognition focus from transaction level to a contractual rights and obligations basis. The adoption of this new revenue standard did not have a material impact on the Company.

Going concern

At 31 December 2019, the company's current liabilities (\$2,868,583) exceed its current assets (\$358,432) by \$2,510,151. Notwithstanding this deficiency, the financial statements have been prepared on a going concern basis which contemplates the realisation of assets and the extinguishment of liabilities in the ordinary course of business.

Emu Plains Sporting and Recreation Club Limited
Notes to the financial statements
31 December 2019

2. Significant accounting policies (continued)

The directors of the company have considered the going concern assumption appropriate with consideration to the following:

- The Club's finance facility with Trimarant Pty Ltd is on interest only terms for 2 years from 17 December 2018, and is for a term of 10 years. As such, the loan is classified as current and non-current at 31 December 2019;
- On 30 March 2020, the Company received notification from Trimarant Pty Ltd that all monthly repayments on the loan facility were currently deferred in response to the COVID-19 outbreak;
- The contracts of sale on the second block of land have been exchanged, with final settlement anticipated to occur in late 2020;
- The Evolve Projects loan of \$1,799,676 is classified as current at year end as it is due to expire in May 2020;
- On 16 April 2020, the Company received notification from Evolve Projects Pty Ltd that all interest payments on the loan facility will be deferred and capitalised from 13 March 2020. Evolve Projects Pty Ltd also confirmed that no action will be taken in regard to the loan during the COVID-19 period; and
- The Company is exploring opportunities to refinance and consolidate its current and non-current borrowings. In April 2020, the Company received two letters of intent regarding potential refinancing of the Clubs borrowings (approximately \$3.2 million).

It is with full consideration of the factors noted above that the financial statements have been prepared on a going concern basis.

Comparative Figures

Where required comparative figures have been adjusted to conform with changes to presentation for the current financial year.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB'), the and the Corporations Act 2001, as appropriate for not-for profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Revenue recognition

The company recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

2. Significant accounting policies (continued)

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rent

Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Membership Fees

Revenue from membership fees is recognised when it is received or when the right to receive payment is established

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

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

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Emu Plains Sporting and Recreation Club Limited
Notes to the financial statements
31 December 2019

2. Significant accounting policies (continued)

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets

The company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Property, plant and equipment

Land is shown at fair value, based on periodic, at least every 3 - 5 years, valuations by external independent valuers (directors' valuation). The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Increases in the carrying amounts arising on revaluation of land are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

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

2. Significant accounting policies (continued)

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

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

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Poker machine entitlements

Poker machine entitlements are recorded at cost and have recorded as intangible assets in the statement of financial position. They are considered to have an indefinite useful life, as the legislation does not specify a lifespan for the entitlement, and therefore the entitlements are not amortised.

Emu Plains Sporting and Recreation Club Limited has assessed the poker machine entitlements for indications of impairment. The recoverable amount has been determined based on value in use. Cash flow projections are based on net poker machine clearances and a useful economic life for the physical machine attached to the licences. The 10 year bond rate has been used to discount the cash flows to present value. No impairment loss has been identified.

Impairment of non-financial assets

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

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

Trade and other payables

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

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities

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

2. Significant accounting policies (continued)

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

Until the 2019 financial year, leases of property, plant and equipment were classified as operating leases or finance leases, see note 4 for details. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed lease payments. Lease payments to be made under reasonably certain extension options are also included in the measured liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, conditions and security.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

2. Significant accounting policies (continued)

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 tax authority is included in other receivables or other 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 tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

3. Critical accounting judgements, estimates and assumptions

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

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Fair value measurement hierarchy

The company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

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

Impairment of property, plant and equipment

The company assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Emu Plains Sporting and Recreation Club Limited
Notes to the financial statements
31 December 2019

3. Critical accounting judgements, estimates and assumptions (continued)

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Income Tax

The Directors are of the opinion that the company is exempt from income tax pursuant to Section 50-45 of the Income Tax Assessment Act 1997.

4. Change in accounting policy

The company has adopted *AASB 16 Leases* retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provision in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefor recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.

Upon adoption of *AASB 16 Leases*, the company recognised lease liabilities in relation to leases which has previously been classified as "operating leases" under the principles of *AASB 117 Leases*. These liabilities were measured at the present value of remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.75%.

Practical expedients applied

In applying *AASB 16 Leases* for the first time, the company has used the following practical expedients permitted by the standard:

- Accounting for operating leases with the remaining lease term for less than 12 months as at 1 January 2019 as short-term leases; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

5. Revenue

	2019	2018
	\$	\$
<i>Sales revenue</i>		
Bar sales	1,264,686	1,262,704
Gaming revenue	1,898,210	1,998,354
Commissions revenue	89,430	93,183
Golf course revenue	400,968	381,483
Pro shop sales	151,349	156,728
Catering and functions revenue	1,040,827	1,005,851
Leonay Golf revenue	238,414	191,567
Leonay Ladies Golf revenue	20,361	15,499
	<u>5,104,245</u>	<u>5,105,369</u>
<i>Other revenue</i>		
Rent received	42,925	41,427
Other revenue	70,375	83,036
	<u>113,300</u>	<u>124,463</u>
Revenue	<u>5,217,545</u>	<u>5,229,832</u>

Emu Plains Sporting and Recreation Club Limited
Notes to the financial statements
31 December 2019

6. Other income

	2019	2018
	\$	\$
Net gain on disposal of property, plant and equipment	<u>-</u>	<u>3,363</u>

7. Current assets - cash and cash equivalents

	2019	2018
	\$	\$
Cash at bank and on hand	<u>142,052</u>	<u>179,185</u>

8. Current assets - trade and other receivables

	2019	2018
	\$	\$
Trade receivables	41,232	34,646
Other receivables	17,923	9,058
BAS receivable	48,973	-
	<u>108,128</u>	<u>43,704</u>

9. Current assets - inventories

	2019	2018
	\$	\$
Inventory on hand - at cost	<u>44,508</u>	<u>49,643</u>

10. Current assets - Prepayments

	2019	2018
	\$	\$
Prepayments	58,744	52,982
Security deposit	5,000	5,000
	<u>63,744</u>	<u>57,982</u>

Emu Plains Sporting and Recreation Club Limited
Notes to the financial statements
31 December 2019

11. Non-current assets - property, plant and equipment

	2019 \$	2018 \$
Land - at independent valuation 2016	4,000,000	4,000,000
Buildings - at cost	4,876,877	4,876,877
Less: Accumulated depreciation	(2,941,123)	(2,817,667)
	<u>1,935,754</u>	<u>2,059,210</u>
Course improvements - at cost	1,362,078	1,334,028
Less: Accumulated depreciation	(910,691)	(842,549)
	<u>451,387</u>	<u>491,479</u>
Plant and equipment - at cost	2,229,313	2,969,375
Less: Accumulated depreciation	(1,291,253)	(2,393,665)
	<u>938,060</u>	<u>575,710</u>
Motor vehicles - at cost	62,145	62,145
Less: Accumulated depreciation	(20,116)	(8,387)
	<u>42,029</u>	<u>53,758</u>
Gaming machines - at cost	1,623,254	1,709,325
Less: Accumulated depreciation	(1,286,083)	(1,278,493)
	<u>337,171</u>	<u>430,832</u>
	<u><u>7,704,401</u></u>	<u><u>7,610,989</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Land \$	Buildings \$	Course improvements \$	Plant & equipment and motor vehicles \$	Gaming machines \$	Total \$
Balance at 1 January 2019:	4,000,000	2,059,215	491,482	629,460	430,832	7,610,989
Additions	-	-	28,050	444,898	35,632	508,580
Disposals	-	-	-	20,500	(12,546)	7,954
Depreciation expense	-	(123,461)	(68,145)	(114,769)	(116,747)	(423,122)
Balance at 31 December 2019	<u>4,000,000</u>	<u>1,935,754</u>	<u>451,387</u>	<u>980,089</u>	<u>337,171</u>	<u>7,704,401</u>

Valuations of land and buildings

The basis of the valuation of land is fair value, being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The land and buildings were last revalued on 21 September 2016 based on independent assessments by a member of the Australian Property Institute. The directors do not believe that there has been a material movement in fair value since the revaluation date.

The buildings and course improvements are held at cost. These assets were valued at 21 September 2016 and the market value is in excess of the cost value held at year end by \$5,064,246.

Emu Plains Sporting and Recreation Club Limited
Notes to the financial statements
31 December 2019

12. Non-current assets - right-of-use assets

	2019	2018
	\$	\$
Plant and equipment - right-of-use	246,496	-
Less: Accumulated depreciation	<u>(46,567)</u>	<u>-</u>
	<u><u>199,929</u></u>	<u><u>-</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Right-of-use assets	Total
	\$	\$
Balance at 1 January 2019	-	-
Additions	246,496	246,496
Depreciation expense	<u>(46,567)</u>	<u>(46,567)</u>
Balance at 31 December 2019	<u><u>199,929</u></u>	<u><u>199,929</u></u>

13. Non-current assets - intangibles

	2019	2018
	\$	\$
Other intangible assets - at cost	237,539	237,539
Less: Accumulated amortisation	<u>(147,539)</u>	<u>(147,539)</u>
	<u><u>90,000</u></u>	<u><u>90,000</u></u>

14. Non-current assets - other non-current assets

	2019	2018
	\$	\$
Capital works in progress	<u><u>1,831,117</u></u>	<u><u>185,965</u></u>

Capital works in progress in 2018 relate to asset additions in progress within the clubhouse. This also includes the preliminary costs in connection with the proposed sale and / or subdivision of the golf course land. This benefit will only be obtained if the sale and / or land subdivisions proceed to completion. Should this not occur, it may become necessary to write some or all of these costs off to the profit and loss in a future period.

In 2019, the Club has undergone significant renovations to the bar, gaming, dining and entrance of the club, commencing in April 2019. These renovation works were ongoing at 31 December 2019 and will be transferred to property, plant and equipment at completion of the works in the 2020 financial year.

Emu Plains Sporting and Recreation Club Limited
Notes to the financial statements
31 December 2019

15. Current liabilities - trade and other payables

	2019	2018
	\$	\$
Trade payables	178,465	135,433
Other creditors	65,715	118,386
Superannuation payable	35,369	35,840
Poker machine duty tax payable	64,570	68,409
BAS payable	-	61,456
	<u>344,119</u>	<u>419,524</u>

16. Current liabilities - borrowings

	2019	2018
	\$	\$
Financial loans	1,805,742	-
Hire purchases	209,719	172,179
Insurance premium funding	31,656	20,438
	<u>2,047,117</u>	<u>192,617</u>

17. Current liabilities - lease liabilities

	2019	2018
	\$	\$
Lease liability	<u>54,537</u>	<u>-</u>

18. Current liabilities - employee benefits

	2019	2018
	\$	\$
Annual leave	110,791	105,913
Long service leave	58,016	31,349
	<u>168,807</u>	<u>137,262</u>

19. Current liabilities - other liabilities

	2019	2018
	\$	\$
Land purchase option	160,000	100,000
Accrued expenses	13,449	21,437
Revenue received in advance	80,554	9,483
	<u>254,003</u>	<u>130,920</u>

Emu Plains Sporting and Recreation Club Limited
Notes to the financial statements
31 December 2019

20. Non-current liabilities - borrowings

	2019	2018
	\$	\$
Financial loans	1,113,933	1,120,000
Hire purchases	473,287	292,977
	<u>1,587,220</u>	<u>1,412,977</u>

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	2019	2018
	\$	\$
Financial loans	2,919,675	1,120,000
Hire purchases	683,006	465,156
Insurance premium funding	-	21,166
	<u>3,602,681</u>	<u>1,606,322</u>

Assets pledged as security

The bank loans are secured by first mortgages over the company's land and buildings.

21. Non-current liabilities - lease liabilities

	2019	2018
	\$	\$
Lease liability	<u>153,363</u>	<u>-</u>

22. Non-current liabilities - employee benefits

	2019	2018
	\$	\$
Long service leave	<u>23,860</u>	<u>33,479</u>

23. Equity - reserves

	2019	2018
	\$	\$
Asset revaluation reserve	<u>4,019,957</u>	<u>4,019,957</u>

Emu Plains Sporting and Recreation Club Limited
Notes to the financial statements
31 December 2019

24. Equity - retained surpluses

	2019	2018
	\$	\$
Retained surpluses at the beginning of the financial year	1,870,732	1,889,584
Deficit after income tax expense for the year	<u>(339,836)</u>	<u>(18,852)</u>
Retained surpluses at the end of the financial year	<u><u>1,530,896</u></u>	<u><u>1,870,732</u></u>

25. Depreciation and finance costs

	2019	2018
	\$	\$
Depreciation		
Property, plant and equipment	423,122	389,377
Right-of-use asset	<u>46,567</u>	<u>-</u>
Total depreciation	<u><u>469,689</u></u>	<u><u>389,377</u></u>

	2019	2018
Finance costs		
Interest and finance charges	144,794	107,806
Interest - lease liability (AASB 16)	<u>7,972</u>	<u>-</u>
Total finance costs	<u><u>152,766</u></u>	<u><u>107,806</u></u>

26. Leasing

	2019	2018
	\$	\$
Impact of AASB 16 adoption		
Rental charges incurred under the previous accounting standard	57,726	-
Interest incurred on unwind of lease liability	(7,972)	-
Depreciation of right-of-use asset	<u>(46,567)</u>	<u>-</u>
Impact of AASB 16 on profit or loss and other comprehensive income	<u><u>3,187</u></u>	<u><u>-</u></u>

	2019	2018
Lease liability at 1 January 2019		
Operating lease commitments at 1 January 2019 under AASB 117	262,265	-
Commitments relating to leases of low-value-assets	<u>(87,642)</u>	<u>-</u>
Lease liability at 1 January 2019	<u><u>174,623</u></u>	<u><u>-</u></u>

Emu Plains Sporting and Recreation Club Limited
Notes to the financial statements
31 December 2019

26. Leasing (continued)

	2019 \$	2018 \$
Lease liability at 31 December 2019		
Current	54,537	-
Non-current	153,363	-
	<u>207,900</u>	<u>-</u>
Lease liability at 31 December 2019	<u>207,900</u>	<u>-</u>

Lease payments not recognised as a liability

The company has elected not to recognise a lease liability for short term leases (those expected to expire within 12 months or less) or for leases of low value assets. Payments made under such leases are expenses on a straight-line basis. In addition, certain variable lease payment are not permitted to be recognised as lease liabilities and are expensed as incurred.

27. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	2019 \$	2018 \$
Aggregate compensation	<u>193,451</u>	<u>172,906</u>

28. Commitments

	2019 \$	2018 \$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	29,760	111,501
One to five years	-	150,764
	<u>29,760</u>	<u>262,265</u>

29. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 27.

Transactions with related parties

The following transactions occurred with related parties:

	2019 \$	2018 \$
Payment for other expenses:		
Directors' expenses and compliance training	1,450	4,467

Receivable from and payable to related parties

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

Emu Plains Sporting and Recreation Club Limited
Notes to the financial statements
31 December 2019

29. Related party transactions (continued)

Loans to/from related parties

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

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

30. Members' guarantee

The Club 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 \$4 each towards meeting any outstanding debts and obligations of the company. At 31 December 2019, total members were 4,252 (2018: 4,153).

31. Events after the reporting period

The recent announcement by the World Health Organisation in regard to the global pandemic outbreak of COVID-19 and the response of the Australian Government may materially affect the operations of the Company in future financial periods. At the time of this report, the expected economic impact cannot be reliably measured.

In response to the COVID-19 pandemic, the Company ceased clubhouse operations from midday 23 March 2020 on instruction from federal authorities. Golf operations continue, with takeaway food and beverage options being explored by management to ensure positive cash flows throughout the unprecedented COVID-19 response period.

On 30 March 2020, the Company received notification from Trimarant Pty Ltd that all monthly repayments on the loan facility were currently deferred in response to the COVID-19 outbreak.

On 16 April 2020, the Company received notification from Evolve Projects Pty Ltd that all interest payments on the loan facility will be deferred and capitalised from 13 March 2020. Evolve Projects Pty Ltd also confirmed that no action will be taken in regard to the loan during the COVID-19 period.

The Company is exploring opportunities to refinance and consolidate its current and non-current borrowings. In April 2020, the Company received two letters of intent regarding potential refinancing of the Clubs borrowings (approximately \$3.2 million). As at the date of this report, no refinance agreements have been entered into.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

32. Company details

The registered office and principal place of business is 1 Leonay Parade, Leonay NSW.

Emu Plains Sporting and Recreation Club Limited
Notes to the financial statements
31 December 2019

33. Core and non-core property

In accordance with provisions under section 41J(2) of the Registered Clubs Act, the directors have classified the following assets as core property of the Company:

Portion of Lot 1100 in Deposited Plan 127686 (formerly Lot 110 in DP 1135581)
Portion of Lot 4 in Deposited Plan 564713
Portion of Lot 21 in Deposited Plan 746592
Lot 342 in Deposited Plan 621918

The following non-core properties have been identified by the company:

Proposed Lot 2, Part Lot 1100 in Deposited Plan 127686
Proposed Lot 3, Part Lot 21 in Deposited Plan 746592
Proposed Lot 5, Part Lot 4 in Deposited Plan 564713
Proposed Lot 7, Part Lot 4 in Deposited Plan 564713

Emu Plains Sporting and Recreation Club Limited
Directors' declaration
31 December 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 31 December 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Stephen Hardy
Director / Chairman


Leo Bahlmann
Director

28 April 2020

Emu Plains Sporting & Recreation Club Limited

NOTICE OF ORDINARY RESOLUTIONS

At the Annual General Meeting of the Emu Plains Sporting & Recreation Club Limited to be held on Thursday 11th May, 2017 (separate notice of which having been given) the Members will be asked to consider and, if thought fit, pass the following resolutions.

ORDINARY RESOLUTION 1.

That pursuant to the Registered Clubs Act:

- (a) The members hereby approve and agree to expenditure by the club, in the club, in a sum not exceeding \$12,000.00, until the next Annual General Meeting of the Club, for the following expenditure and benefits to Directors.
 - i. The reasonable costs of a meal and beverage for each Director immediately after a Board or Committee meeting on the day of that meeting when the meeting corresponds with a normal meal time.
 - ii. Reasonable expenses incurred by Directors in travelling to and from Directors meetings, or other duly constituted committee meetings, as approved by the Board from time to time on production of invoices, receipts or other proper documentary evidence of such expenditure
 - iii. The provision of three designated car parking spaces for directors
 - iv. Reasonable expenses incurred by Directors in relation to such other special guests to the Club and other promotional activities and the expenses therefrom are approved by the Board before payment is made on production of receipts, invoices or other documentary evidence of such expenditure.
 - v. End of Year Dinner for Directors and Spouses
 - vi. The issue of a suitable inscribed blazer to all members of the Board of Directors together with other inscribed apparel necessary to represent the Club
- (b) The members acknowledge that the benefits in paragraph (a) above are not available to members generally but only for those who are Directors of the Club

EXPLANATORY NOTE TO ORDINARY RESOLUTION 1.

The purpose of this resolution is to meet the disclosure requirements of the Corporations Act 2001 and the Registered Club Act and the adoption will set an upper limit on the expenditure in relation to duties performed by the Club Directors.

ORDINARY RESOLUTION 2.

That pursuant to the Registered Clubs Act:

- (a) The members hereby approve and agree to expenditure by the club, in the sum not exceeding \$8,000.00, for the professional development and education of Directors until the next Annual General Meeting.
 - i. The reasonable costs of Directors attending at the registered Clubs (Clubs NSW) Annual General Meeting, conferences and trade exhibitions
 - ii. The reasonable costs of Directors attending seminars, lectures, trade display, invitational golfing functions and other similar events as may be determined by the Board from time to time
 - iii. The reasonable costs of Directors attending other registered clubs for the purpose of viewing and assessing their facilities and methods of operation provided such attendances are approved by the Board as being necessary for the betterment of the Club
 - iv. The members acknowledge that the benefits in paragraph (a) above are not available to members generally but only for those who are Directors of the Club.

EXPLANATORY NOTE TO ORDINARY RESOLUTION 2.

The purpose of this resolution is to meet the disclosure requirements of the Corporations Act 2001 and the Registered Clubs Act and the adoption will set an upper limit on the expenditure in relation to Directors education and attendance at meetings and the like to keep abreast of industry trends and developments.