
Forestville RSL Club Limited

ABN 15 000 970 132

**Annual Financial Report
31 December 2020**

Forestville RSL Club Limited

Directors' Report

The directors present their report together with the financial statements of Forestville RSL Club Limited (the company) for the year ended 31 December 2020.

Directors

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

| Name and qualifications | Date of appointment | Experience and special responsibilities |
|--------------------------------|---|--|
| W Hardman President | 22 January 2019 | Financial Controller and Company Director Member of the club since 2002. |
| W Shields Director | 27 October 2015 | Retired IT Executive Member of the club since 1982 |
| W Law Director | 28 April 2009 Resigned 3 August 2020 | Retired Avionics Engineer. Member of the club since 1970. |
| J Finlay Director | 27 April 2017 | Retired Electrical Contractor Member of the club since 1991. |
| H Bull Director | 29 August 2017 | Gaming Service Manager Member of the club since 2011. |
| M Joosse Director | 31 January 2019 | COO/CFO - for a Charity in the Social Housing Sector Member of the club since 2012. |
| P Richardson Director | 31 January 2019 | Group Manager - Human Resources Member of the club since 1998. |
| W (J) Anstiss Director | 3 August 2020 | Retired Panel Beater/Business owner Member of the club since 1992. |

Forestville RSL Club Limited

Directors' Report

Directors' meetings

The number of meetings of the company's Board of Directors (the Board) held during the year ended 31 December 2020, and the number of meetings attended by each director were:

| Director | Number of meetings attended | Number of meetings held * |
|---|-----------------------------|---------------------------|
| W Shields | 11 | 12 |
| W Law (resigned 3 August 2020) | 7 | 7 |
| J Finlay | 12 | 12 |
| H Bull | 10 | 12 |
| W Hardman | 11 | 12 |
| M Joosse | 12 | 12 |
| P Richardson | 12 | 12 |
| W (J) Anstiss (appointed 3 August 2020) | 5 | 5 |

* Number of meetings held during the time the director held office during the year.

Membership

The company is a company limited by guarantee and is without share capital. The number of members as at 31 December 2020 and the comparison with last year is as follows:

| | 2020 | 2019 |
|----------|-------|--------|
| Ordinary | 9,750 | 10,278 |
| Life | 4 | 6 |
| | <hr/> | <hr/> |
| | 9,754 | 10,284 |
| | <hr/> | <hr/> |

Members' limited liability

In accordance with the Constitution of the company, every member of the company undertakes to contribute an amount limited to \$5 per member in the event of the winding up of the company during the time that he is a member or within one year thereafter. The total liability in the event of winding up is \$48,770 (2019: \$51,420).

Operating result

The net profit before tax for the year amounted to \$463,960 (2019 loss: \$16,123). This resulted after charging \$849,874 (2019: \$848,151) for depreciation and before income tax expense of \$36,198 (2019 benefit: \$22,819) for income tax.

Objectives

Short term

To provide for the use of members and their guests a welcoming community club with modern facilities and amenities. To continue to support the wider local community and foster a relationship to maximise our exposure and involvement with our local area.

Forestville RSL Club Limited

Directors' Report

Objectives (continued)

Long term

To continue to explore ways to improve the club and ensure its long term viability.

Strategy for achieving the objectives

The Club's strategic plans are reviewed on a regular basis to ensure relevance in achieving our goals. Through the use of professional finance management and key performance indicators combined with proactive culture these strategies are achieved.

Principal activity

The principal activity of the company during the year has continued to be that of a licensed social club.

There have been no significant changes in the nature of this activity during the year.

How this activity assists in achieving the objectives

The principal activity of the Club outlined above is consistent with the Club achieving the objectives with each stated strategy designed to enhance and improve the Club's facility and ensure delivery of quality facilities of an RSL Club.

Performance measurement and key performance indicators

The club has departmental and organisational business plans and corporate strategic plans and the documented KPIs are reviewed by executive management and the Board of Directors at monthly meetings.

These KPIs are reviewed on a regular basis to ensure relevance at any particular point in time. Business activities are reviewed and altered to adhere to these documents.

Coronavirus (COVID-19) pandemic

On 11 March 2020, the World Health Organisation (WHO) classified the COVID-19 outbreak as a pandemic. From 23 March 2020 to 1 June 2020, a nationwide lockdown was implemented. Since restriction were lifted on 1 June 2020, the entity has seen a positive increase in sales and expect to see a similar trend as at the date of this report. Management is actively monitoring the global situation and its impact on the consolidated entity's financial condition, liquidity, operations, suppliers, industry and workforce. The full impact of the COVID-19 outbreak continues to evolve at the date of this report. Given the uncertainty around the full impact of the COVID-19 outbreak, the entity is not able to estimate the effects of COVID-19 outbreak on its results of operations, financial condition, or liquidity for the 2021 financial year.

Forestville RSL Club Limited

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 4.

Signed in accordance with a resolution of the directors.

Dated at Forestville 25th of March 2021.

A handwritten signature in black ink, appearing to read 'W Hardman', written in a cursive style.

William Hardman OAM
President



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Australia

DECLARATION OF INDEPENDENCE BY ELYSIA ROTHWELL TO THE DIRECTORS OF FORESTVILLE RSL CLUB LIMITED

As lead auditor of Forestville RSL Club Limited for the year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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

Elysia Rothwell
Director

BDO Audit Pty Ltd

Sydney, 25th March 2021

INDEPENDENT AUDITOR'S REPORT

To the members of Forestville RSL Club Limited

Report on the Audit of the Financial Report Opinion

We have audited the financial report of Forestville RSL Club Limited (the Company), which comprises the statement of financial position as at 31 December 2020, 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, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) Giving a true and fair view of the Company's financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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



Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

Elysia Rothwell
Director

Sydney, 25th March 2021

Forestville RSL Club Limited

Directors' Declaration

The directors of Forestville RSL Club Limited declare that:

- (a) In the Directors' opinion the financial statements and notes, are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the company's financial position as at 31 December 2020 and of its performance, for the financial year ended on that date; and
 - (ii) Complying with Australian Accounting Standards - Reduced Disclosure Requirements and *Corporations Regulations 2001* and other mandatory professional reporting requirements.
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Dated at Forestville 25th of March 2021.



William Hardman OAM
President

Forestville RSL Club Limited

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2020

| | Note | 2020 \$ | 2019 \$ |
|--|------|-------------|-------------|
| Revenue | | | |
| Sale of goods | 1 | 1,332,823 | 1,561,372 |
| Rendering of services | 1 | 4,129,842 | 5,189,686 |
| Other revenue | 1 | 165,371 | 146,624 |
| | | | |
| Total revenue | | 5,628,036 | 6,897,682 |
| | | | |
| Other Income | 1 | 107,554 | 88,951 |
| | | | |
| Expenses | | | |
| Raw materials and consumables used | | (514,197) | (630,426) |
| Employee benefits expense | | (1,645,446) | (2,430,800) |
| Entertainment, marketing and promotional costs | | (388,604) | (788,224) |
| Poker machine licences and taxes | | (707,391) | (941,318) |
| Occupancy expenses | | (555,615) | (661,938) |
| Repairs and maintenance | | (301,578) | (328,811) |
| Loss on disposal of property, plant and equipment | | (56,443) | - |
| Depreciation expenses | | (849,874) | (848,151) |
| Finance cost | | (1,599) | (2,650) |
| Donations and grants | | (17,480) | (36,157) |
| Other expenses | | (233,403) | (334,281) |
| | | | |
| Total expenses | 2 | (5,271,630) | (7,002,756) |
| | | | |
| Profit/(Loss) before income tax | | 463,960 | (16,123) |
| Income tax (expense)/benefit | 3(a) | (36,198) | 22,819 |
| | | | |
| Net Profit after income tax expense | | 427,762 | 6,696 |
| Other comprehensive income | 10 | (8,679) | 5,324 |
| | | | |
| Total comprehensive income for the year attributable to members | | 419,083 | 12,020 |

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes set out on pages 12 to 28.

Forestville RSL Club Limited

Statement of Financial Position
As at 31 December 2020

| ASSETS | Note | 2020 \$ | 2019 \$ |
|--------------------------------------|------|-------------------|-------------------|
| Current Assets | | | |
| Cash and cash equivalents | | 3,148,280 | 2,447,109 |
| Trade receivables | | 52,920 | 14,486 |
| Inventories | | 99,667 | 110,727 |
| Financial assets | 5 | 175,645 | 187,127 |
| Current Tax Assets | 3(c) | - | 10,282 |
| Other current assets | 6 | 134,506 | 151,030 |
| Total Current Assets | | 3,611,018 | 2,920,761 |
| Non-Current Assets | | | |
| Property, plant and equipment | 4 | 10,068,233 | 10,366,189 |
| Right-of-use Asset | 8 | 112,447 | 163,087 |
| Deferred tax assets | 3(b) | 93,387 | 122,900 |
| Total Non-Current Assets | | 10,274,067 | 10,652,176 |
| Total Assets | | 13,885,085 | 13,572,937 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 7 | 591,952 | 536,936 |
| Lease liability | | 17,872 | 17,064 |
| Employee benefits | 9 | 310,933 | 433,993 |
| Income received in advance | | 39,408 | 57,550 |
| Total Current Liabilities | | 960,165 | 1,045,543 |
| Non-Current Liabilities | | | |
| Lease liability | | 14,071 | 29,033 |
| Employee benefits | 9 | 18,101 | 15,170 |
| Income received in advance | | 59,044 | 68,570 |
| Total Non-Current Liabilities | | 91,216 | 112,773 |
| Total Liabilities | | 1,051,381 | 1,158,316 |
| Net Assets | | 12,833,704 | 12,414,621 |
| Members' Funds | | | |
| Reserves | 10 | 293,068 | 304,550 |
| Retained profits | | 12,540,636 | 12,110,071 |
| Total Members' Funds | | 12,833,704 | 12,414,621 |

The Statement of Financial Position should be read in conjunction with the accompanying notes set out on pages 12 to 28.

Forestville RSL Club Limited

Statement of Changes in Members' Funds For the Year Ended 31 December 2020

| | Reserves \$ | Retained profits \$ | Total Equity \$ |
|--|-----------------|---------------------------|-----------------------|
| Balance at 1 January 2019 | 302,191 | 12,100,410 | 12,402,601 |
| Net profit for the year | - | 6,696 | 6,696 |
| Net Realised gain from sale of financial asset through other comprehensive income | (2,965) | 2,965 | - |
| Other comprehensive income for the year, net of tax | 5,324 | - | 5,324 |
| Total comprehensive income for the year | 2,359 | 9,661 | 12,020 |
| Balance at 31 December 2019 | 304,550 | 12,110,071 | 12,414,621 |
| Net profit for the year | - | 427,762 | 427,762 |
| Net Realised gain from sale of financial asset through other comprehensive income | (2,803) | 2,803 | - |
| Other comprehensive income for the year, net of tax | (8,679) | - | (8,679) |
| Total comprehensive income for the year | (11,482) | 430,565 | 419,083 |
| Balance at 31 December 2020 | 293,068 | 12,540,636 | 12,833,704 |

The Statement of Changes in Members' Funds should be read in conjunction with the accompanying notes set out on pages 12 to 28.

Forestville RSL Club Limited

Statement of Cash Flows For the Year Ended 31 December 2020

| | 2020 \$ | 2019 \$ |
|---|------------------|------------------|
| Cash Flows From Operating Activities | | |
| Receipts from customers, inclusive of GST | 5,981,559 | 7,403,473 |
| Receipts from government grants | 821,500 | - |
| Payments to suppliers and employees, inclusive of GST | (5,729,218) | (6,809,383) |
| Refund/(Payment) for income tax | 5,814 | (63) |
| Interest paid | (1,599) | (2,650) |
| Interest received | 52,037 | 69,748 |
| Rent received | 123,840 | 78,603 |
| Dividends received | 7,554 | 14,893 |
| Net cash inflow from operating activities | 1,261,487 | 754,621 |
| Cash Flows From Investing Activities | | |
| Proceeds from sale of property, plant and equipment | 103,401 | 97,880 |
| Proceeds from sale of investments in shares | 19,433 | 22,098 |
| Payment for property, plant and equipment | (650,520) | (734,567) |
| Payment for investments | (16,630) | - |
| Net cash outflow used in investing activities | (544,316) | (614,589) |
| Cash Flows From Financing Activities | | |
| Lease payments | (16,000) | (19,200) |
| Net cash outflow used in financing activities | (16,000) | (19,200) |
| Net increase in cash and cash equivalents | 701,171 | 120,832 |
| Cash and cash equivalents at the beginning of the financial year | 2,447,109 | 2,326,277 |
| Cash and cash equivalents at the end of the financial year | 3,148,280 | 2,447,109 |

The Statement of Cash Flows should be read in conjunction with the accompanying notes set out on pages 12 to 28.

Forestville RSL Club Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

About this report

Forestville RSL Club Limited is a company limited by guarantee, incorporated and domiciled in Australia and is a not-for-profit entity for the purposes of preparing the financial statements. The financial report is for Forestville RSL Club Limited as a standalone legal entity and consists of the financial statements, notes to the financial statements and the directors' declaration.

The financial report was approved for issue by the Directors on 25 March 2021. The Directors have the power to amend and reissue the financial report.

The financial statements are general purpose financial statements which:

- Have been prepared in accordance with the requirements of the Corporations Act 2001 and the Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board (AASB);
- Do not comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB);
- Are presented in Australian dollars; and
- Where necessary, comparative information has been restated to conform with changes in presentation in the current year.
- The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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.

Coronavirus (COVID-19) pandemic

During the financial year, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus outbreak (COVID-19) and the risks to the international community as the virus spread globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financials statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourable as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

The notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Company. Information is considered material and relevant if, for example:

- The amount in question is significant because of its size or nature;
- It is important for understanding the results of the Company;
- It helps to explain the impact of significant changes in the Company's business; and
- It relates to an aspect of the Company's operations that is important to its future performance.

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

Forestville RSL Club Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

Basis of preparation

The financial statements have been prepared under the historical cost convention and on a going concern basis.

Critical Accounting Judgements, Estimates and Assumptions

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

| | |
|--------------------------------------|------------|
| Estimation of useful lives of assets | Note 4 & 8 |
| Long service leave liability | Note 9 |
| Investments fair value | Note 5 |

Forestville RSL Club Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

1 Revenue and Other Income

| | 2020 \$ | 2019 \$ |
|---|------------------|------------------|
| Sale of Goods Revenue | | |
| Bar sales | 1,332,823 | 1,561,372 |
| Rendering of Services Revenue | | |
| Poker machines - net clearances | 3,834,426 | 4,820,876 |
| Functions revenue | 23,286 | 36,181 |
| Members' subscriptions | 30,892 | 32,325 |
| Entertainment and promotions | 83,695 | 133,900 |
| Green fees | 15,068 | 19,112 |
| Keno sales | 22,534 | 27,483 |
| Commission received | 54,895 | 49,606 |
| Sundry income | 65,046 | 70,203 |
| | 4,129,842 | 5,189,686 |
| Other Revenues | | |
| Interest received | 52,789 | 68,021 |
| Rent received | 112,582 | 78,603 |
| | 165,371 | 146,624 |
| Other Income | | |
| Dividends received | 7,554 | 14,893 |
| Profit on disposal of Property, Plant and Equipment | - | 74,058 |
| Government Grant | 100,000 | - |
| | 107,554 | 88,951 |
| Total Revenue and Other Income | 5,735,590 | 6,986,633 |

Recognition and Measurement

The core principal of AASB 15 *Revenue from Contracts with Customers* is that an entity recognises revenue to depict the transfer of promised goods and services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods and services. Revenue is recognised by applying a five-step process outlined in AASB 15 which is as follows:

Step 1: Identify the contract with a customer;

Step 2: Identify the performance obligations of the contract;

Step 3: Determine the transaction price;

Notes to the Financial Statements For the Year Ended 31 December 2020

1 Revenue and Other Income (continued)

Recognition and Measurement (continued)

Step 4: Allocate the transaction price to the performance obligations; and
Step 5: Recognise revenue as the performance obligations are satisfied.

Under AASB 15, revenues are continued to be recognised at fair value of the consideration received or receivable net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Sale of Goods

Revenue from the sale of goods comprises revenue earned from the provision of beverage and other goods and is recognised net of rebates, returns, discounts and other allowances. Performance obligations for the sale of goods is satisfied when goods are transferred from the Company to the customer and when consideration is subsequently received. Revenue is recognised at a point in time when the sale has been made. There are no obligations for returns, refunds, warranties or other similar obligations. Estimates and judgements have been made over the stand-alone selling prices and when performance obligations are satisfied.

Rendering of Services

Revenue from rendering services comprises revenue from gaming facilities together with other services to members and patrons of the club. Performance obligations arising from gaming facilities are satisfied when the service has been provided to the customer and consideration has been received. Revenue arising from gaming facilities are recognised at a point in time when the service has been provided. Performance obligations arising from membership to the club are satisfied either at a point in time, when a distinct good or service resulting from the membership is provided from the Company to the member, or over time, when the member's access to the club and use of its facilities or access to the option with a material right is completed. There are no obligations for returns, refunds, warranties or other similar obligations. Estimates and judgements have been made over the stand-alone selling prices and when performance obligations are satisfied.

Interest Revenue

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

Rental Revenue

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

Sale of Property, Plant and Equipment

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

Other income

Other income is continued to be recognised when it is received or when the right to receive payment is established and to the extent that there is a high probability that a significant reversal of revenue will not occur.

Grants

Government grants are recognised as income when it is reasonably certain that the company complies with the conditions attached to them and when the right to receive payment is established. The company has elected to recognise grant income as an offset to the offset directly attributable expenditure in the financial statements where relevant. A total of \$721,500 of job keeper subsidies have been recognised as an offset within employee benefits expense for the 31 December 2020 financial year.

Forestville RSL Club Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

2 Expenses

| | 2020 \$ | 2019 \$ |
|--|------------|------------|
| Loss before income tax includes the following specific expenses: | | |
| Defined contribution superannuation expense | 194,985 | 250,125 |

Recognition and Measurement

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

Finance costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets, which take more than 12 months to get ready for their intended use or sale. In these circumstances, finance costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of finance costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, finance costs are capitalised using a weighted average capitalisation rate.

The Company is under a legal obligation to contribute 9.50% of each employee's base salary to a superannuation fund. The Company contributes to several defined contribution superannuation plans. Contributions are recognised as an expense as they are made. The Company has no legal or constructive obligation to fund any deficit.

3 Income Tax

(a) Income Tax Expense

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

| | 2020 \$ | 2019 \$ |
|---|---------------|--------------|
| The amount set aside for income tax in the statement of financial performance has been calculated as follows: | | |
| Proportion of income attributable to non-members | 1,016,104 | 1,212,084 |
| Less: Proportion of expenses attributable to non-members | (1,004,172) | (1,204,266) |
| | <u>11,932</u> | <u>7,818</u> |
| Add: Other taxable income | 1,091,672 | 342,210 |
| Less: Other deductible expenses | (1,134,133) | (481,131) |
| Transfer to tax losses carried forward | 30,529 | 131,103 |
| | <u>-</u> | <u>-</u> |
| Net income subject to tax | - | - |

Notes to the Financial Statements For the Year Ended 31 December 2020

3 Income Tax

(a) Income Tax Expense (continued)

| | 2020 \$ | 2019 \$ |
|--|------------|------------|
| Current income tax applicable to above at rate of 25% | - | - |
| Conversion of excess franking credits to additional carried forward tax losses | 6,685 | - |
| Under provision from prior year | 5,190 | 4,377 |
| Decrease/(Increase) in deferred tax assets | 24,323 | (27,196) |
| | <hr/> | <hr/> |
| Income tax expense/(benefit) | 36,198 | (22,819) |

(b) Deferred Tax Assets

The balance comprises temporary differences attributable to:

| | | |
|--|---------|---------|
| Amounts recognised in profit or loss | | |
| Property, plant and equipment - Written down value | 4,496 | 24,323 |
| Employee benefits | 15,307 | 37,103 |
| | <hr/> | <hr/> |
| | 19,803 | 61,426 |
| Carried forward tax losses | 73,584 | 61,474 |
| Total deferred tax assets | <hr/> | <hr/> |
| | 93,387 | 122,900 |
| Movements | | |
| Opening balance | 122,900 | 95,704 |
| Credited to the Statement of Profit or loss and other Comprehensive Income | 29,513 | 27,196 |
| | <hr/> | <hr/> |
| Closing balance | 93,387 | 122,900 |

(c) Current Tax (Assets)/Liability

| | 2020 \$ | 2019 \$ |
|---|------------|------------|
| Movements during the year: | | |
| Balance at beginning of year | (10,282) | (16,926) |
| Payments made during the year | - | (13,257) |
| Refunds received during the year | 5,814 | 13,320 |
| Current year's income tax expense on profit | <hr/> | <hr/> |
| | 4,468 | 6,581 |
| Closing balance | <hr/> | <hr/> |
| | - | (10,282) |

Notes to the Financial Statements For the Year Ended 31 December 2020

3 Income Tax (continued)

Recognition and Measurement

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

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

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

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

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle the claim simultaneously.

Mutuality Principle

The Company calculates its income in accordance with the mutuality principle which excludes from income, any amounts of subscriptions and contributions from members, and payments received from members for particular services provided by the club or association, e.g. poker machines, bar and dining room service in the case of social clubs. The Commissioner of Taxation accepts this method of calculating income as appropriate for recognised clubs and associations.

Amendments to the Income Tax Assessment Act 1997 ensure social clubs continue not to be taxed on receipts from contributions and payments received from members.

Forestville RSL Club Limited

Notes to the Financial Statements
For the Year Ended 31 December 2020

4 Property, Plant and Equipment

| | 2020 \$ | 2019 \$ |
|--|-------------|-------------|
| Freehold land <i>At cost</i> | 2,500,000 | 2,500,000 |
| Buildings and Improvements <i>At cost</i> | 7,696,268 | 7,686,376 |
| <i>Accumulated depreciation</i> | (2,962,871) | (2,792,438) |
| | 4,733,397 | 4,893,938 |
| Total Land and Buildings | 7,233,397 | 7,393,938 |
| Plant and equipment <i>At cost</i> | 5,717,469 | 6,851,874 |
| <i>Accumulated depreciation</i> | (2,882,633) | (3,879,623) |
| | 2,834,836 | 2,972,251 |
| Total property, plant and equipment net book value | 10,068,233 | 10,366,189 |

Forestville RSL Club Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

4 Property, Plant and Equipment (continued)

| | 2020 \$ | 2019 \$ |
|--|------------|------------|
| Movements in Carrying Amounts | | |
| Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are set out below: | | |
| Buildings and Improvements | | |
| Carrying amount at beginning of year | 4,893,938 | 5,060,103 |
| Depreciation expense | (171,283) | (172,761) |
| Additions | 12,710 | 6,596 |
| Disposals | (1,968) | - |
| Carrying amount at end of year | 4,733,397 | 4,893,938 |
| Plant and Equipment | | |
| Carrying amount at beginning of year | 2,972,851 | 2,892,853 |
| Additions | 637,810 | 727,970 |
| Disposals | (157,876) | (23,822) |
| Depreciation expense | (627,951) | (624,750) |
| Carrying amount at end of year | 2,824,836 | 2,972,251 |

Valuation

An independent valuation by Andrew Nock Valuers of the Company's freehold land and buildings was carried out at 20 August 2020 on the basis of open market value for existing use resulted in a valuation of \$18,930,000. As freehold land and buildings are recorded at cost the valuation has not been brought to account. The directors do not believe that there has been a material movement in the fair value since the valuation date.

Forestville RSL Club Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

4 Property, Plant and Equipment (continued)

Core and non-core property

The following are core properties:

- Club land, buildings and improvements at 22 Melwood Avenue, Forestville NSW 2087
- Club car park at 20 Melwood Avenue, Forestville NSW 2087

The Company does not have any non-core properties.

Recognition and Measurement

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

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred. Capital work-in-progress is accounted for at cost and is transferred to property, plant and equipment and depreciated when completed and ready for use.

Useful lives are estimated as follows:

| | |
|----------------------------|--------------|
| Buildings and improvements | 40 years |
| Plant and equipment | 5 - 10 years |
| Motor vehicles | 9 years |

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

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

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

Refer to Note 8 for information on Right-of-use assets secured under leases.

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 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.

Forestville RSL Club Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

5 Financial assets

| | 2020 \$ | 2019 \$ |
|--|------------|------------|
| Fair Value through Other Comprehensive Income Financial Assets | 175,645 | 187,127 |

Recognition and Measurement

The Company classifies its financial assets in the following categories: Amortised Cost and Fair Value through Other Comprehensive Income financial assets. The classification depends on the purpose for which the assets or liabilities were acquired.

Fair value through other comprehensive income

The Company has a number of strategic investments in listed securities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those investments, the Company has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Company considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

6 Other Assets

| | 2020 \$ | 2019 \$ |
|---------------------|------------|------------|
| Current | | |
| Prepayments | 128,910 | 146,186 |
| Interest receivable | 5,596 | 4,844 |
| | 134,506 | 151,030 |

Forestville RSL Club Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

7 Trade and Other Payables

| | 2020 \$ | 2019 \$ |
|--------------------------------------|----------------|----------------|
| Trade creditors | 127,359 | 141,840 |
| Goods and Services Tax (GST) payable | 115,587 | 147,326 |
| Other creditors and accruals | 349,006 | 247,770 |
| | <u>591,952</u> | <u>536,936</u> |

Recognition and Measurement

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

8 Leases

Movements in the carrying amounts for right-of-use assets between the beginning and the end of the current financial year are set out below:

| | 2020 \$ | 2019 \$ |
|--------------------------------------|-----------------|-----------------|
| Right-of-Use Assets | | |
| Carrying amount at beginning of year | 163,087 | 213,727 |
| Depreciation expense | <u>(50,640)</u> | <u>(50,640)</u> |
| Carrying amount at end of year | <u>112,447</u> | <u>163,087</u> |

The total cash outflow for leases in 2020 was \$16,000 (2019: \$19,200).

Right-of-Use Assets have been included in the line item "Right-of-use Asset" on the Statement of Financial Position.

Recognition and Measurement

Assets and liabilities arising from a lease are initially measured on a present value basis. Leases are recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortised over the lease term on a straight-line basis.

Lease liabilities include the net present value of fixed lease payments, variable lease payments, amounts expected to be payable under residual value guarantees, exercise price of a purchase option if it is reasonably certain to exercise the option and any payments of penalties for terminating the lease if the lease term reflects the early termination option. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

Right-of-Use Assets are measured at cost comprising of the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date, any initial direct costs and any restoration costs.

Forestville RSL Club Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

9 Employee benefits

| | 2020 \$ | 2019 \$ |
|--|------------|------------|
| Current | 310,933 | 433,993 |
| Non-current | 18,101 | 15,170 |
| Aggregate liability for employee benefits including on-costs | 329,034 | 449,163 |

Recognition and Measurement

The present values of employee benefits not expected to be settled within 12 months of reporting date have been calculated using the following weighted averages:

Wages and Salaries, Annual Leave and Sick Leave

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

Long Service Leave

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

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government bonds at reporting date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

Estimates and Judgements

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

Forestville RSL Club Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

10 Reserves

| | 2020 \$ | 2019 \$ |
|--|----------------|----------------|
| Capital profits reserve | | |
| Capital profits | 321,767 | 321,767 |
| Fair value revaluation reserve | | |
| Fair value revaluation reserve at the beginning of the year | (17,216) | (19,576) |
| Net realisation from sale of financial assets through other comprehensive income | (2,804) | (2,965) |
| Fair value movement of financial assets through other comprehensive income | (8,679) | 5,324 |
| Fair value revaluation reserve at the end of the year | (28,699) | (17,217) |
| Total reserves | 293,068 | 304,550 |

Recognition and Measurement

Capital Profits

The capital profits reserve represents the assets less liabilities taken over by the Company for Forestville RSL Sub-branch Club at the date of incorporation of the Company in accordance with Section 134B of the Liquor Act.

Fair value Revaluation Reserve

The Fair value revaluation reserve includes the changes in the fair value of Fair value through other comprehensive income investments, arising from the revaluation of these assets. Fair value of Fair value through other comprehensive income financial assets is based on quoted market prices for listed shares and investment units. Refer to Note 5 for further details.

Forestville RSL Club Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

11 Contingent Liabilities

| | 2020 \$ | 2019 \$ |
|--|------------|------------|
| The Company has given the following bank guarantees: | | |
| TAB Limited | 5,000 | 5,000 |

12 Key Management Personnel Details

(a) Directors

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

W Law (resigned 3 August 2020)
W Shields
J Finlay
H Bull
W Hardman
M Joosse
P Richardson
W (J) Anstiss (appointed 3 August 2020)

(b) Key Management Personnel Compensation

| | 2020 \$ | 2019 \$ |
|--|------------|------------|
| Benefits and payments made to the Directors | 13,067 | 26,646 |
| Benefits and payments made to Key Management Personnel | 452,412 | 445,415 |
| Total Benefits and payments made | 465,479 | 472,061 |

13 Related Parties

Key Management Personnel

Disclosures relating to key management personnel are set out in Note 12.

Transactions with Related Parties

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

During the year, the company made purchases from a director related entity amounting to \$13,067 (2019: \$26,646). These transactions were done at arm's length basis.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

Forestville RSL Club Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

14 Company Details

The Club is incorporated and domiciled in Australia as a company limited by guarantee. In accordance with the Constitution of the Company, every member of the Company undertakes to contribute an amount limited to \$5 per member in the event of the winding up of the Company during the time that he is a member or within one year thereafter. At 31 December 2020 there were 9,754 members.

The registered office of the Company is 22 Melwood Avenue, Forestville NSW 2087.

15 Events Subsequent to Reporting Date

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

Notes to the Financial Statements For the Year Ended 31 December 2020

16 Summary of other key accounting policies

Inventories

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

Financial Instruments

The company classified its financial assets and liabilities, which comprise cash and cash equivalents, accounts receivables and accounts payable, into one of the categories discussed below, depending on the purpose for which the asset was acquired. The company's accounting policy for each category is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They initially recognised at fair value plus transactions costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The following financial assets and liabilities below are carried at amortised cost.

Trade Receivables

Amounts owing by members and other are stated at amortised cost using the effective interest rate method. Receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts or impairment. The Company applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing. The expected loss rates are based on the Club's historical credit losses experienced over a three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomics factors affecting the Company's customers.

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. For the statement of cash flows presentation purposes, cash and cash equivalents also include term deposits which are shown within other assets in current assets on the statement of financial position.

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

Customer Loyalty Program

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