West Pennant Hills Sports Club

ABN: 50 000 609 450

Financial Statements

For the Year Ended 30 June 2019

West Pennant Hills Sports Club

ABN: 50 000 609 450

Contents

For the Year Ended 30 June 2019

	Page
Financial Statements	
Directors' Report	1
Auditor's Independence Declaration under Section 307C of the Corporations Act 2001	5
Statement of Profit or Loss and Other Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Directors' Declaration	24
Independent Audit Report	25

West Pennant Hills Sports Club

ABN: 50 000 609 450

Directors' Report

30 June 2019

The directors present their report on West Pennant Hills Sports Club for the financial year ended 30 June 2019.

(a) General information

Directors

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

Names	
William Austin	
Ross Patrick	
Anthony Fugaccia	
Raymond Newton	
Gary Purcell	
Stephen Watson	Resigned 5 November 2018
Richard Hickey	Resigned 5 November 2018
Ross Fitzpatrick	
Gerry Kenny	
Katrina Ferro	Appointed 5 November 2018
John Given OAM	Appointed 5 November 2018

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

Company secretary

The following person held the position of Club secretary at the end of the financial year:

Jason Read (A.C.C.M) has been the company secretary of the Club for the whole of the financial year and up to the date of this report. Jason has worked in the club industry 30 years, 22 years of which with West Pennant Hills Sports Club as Secretary Manager.

Jason is an "Active Certified Club Manager" and an Executive Committee Member of Eastwood Gladesville Liquor Accord.

Principal activities

The principal activity of West Pennant Hills Sports Club during the financial year was the promotion of sport.

No significant changes in the nature of the Club's activity occurred during the financial year.

Operating result

The Club earned an operating profit of $580,011 (2018: $728,459), before depreciation and amortisation of $1,169,926 (2018: $1,003,736) and finance costs of $211,090 (2017: $204,925). The financial result of the Club for the year from ordinary activities was a loss of $801,005 (2018: $480,202).

Short term objectives

The Club's short term objectives are to:

- Enhance the Club's facilities in line with the Club's approved Master Plan development consent.

Directors' Report
30 June 2019

Long term objectives

The Club's long term objectives are to:

- Improve the Club's trading results through strategic planning of a strong business growth methodology whilst.

Information on directors

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

William Austin

Occupation & Qualifications	Real Estate Agent
Special Responsibilities	Chairman of Directors, Chairman of the Management Committee, Member of the Building Development Committee, Member of the Finance, Audit and Compliance Committees
Years a Director of the Club	26

Ross Patrick

Occupation & Qualifications	Retired Administration Officer Public Health
Special Responsibilities	Deputy Chairman of Directors, Member of the Building Development Committee, Member of the Finance, Audit and Compliance Committees
Years a Director of the Club	4

Anthony Fugaccia

Occupation & Qualifications	Retired School Principal
Special Responsibilities	Deputy Chairman of Directors, Member of the Building Development Committee, Member of the Finance, Audit and Compliance Committees
Years a Director of the Club	7

Raymond Newton

Occupation & Qualifications	Retired Insurance Executive
Special Responsibilities	Honorary Treasurer, Chairman of the Finance, Audit and Compliance Committee, Member of the Building Development and Management Committees
Years a Director of the Club	8

Gary Purcell

Occupation & Qualifications	Retired Company Director
Special Responsibilities	Director, Member of the Building Development Committee
Years a Director of the Club	8

Stephen Watson

Occupation & Qualifications	IT Sales Manager
Special Responsibilities	Director, Member of Bowling Greens and Grounds and Building Development Committees
Years as Director of the Club	3

Directors' Report
30 June 2019

Information on directors

Richard Hickey

Occupation & Qualifications	Chartered Accountant BA(Econ), B.Bus(Accounting),CA
Special Responsibilities	Director, Member of the Finance, Audit and Compliance Committee and Member of the Building Development Committee
Years as Director of the Club	9

Ross Fitzpatrick

Occupation & Qualifications	Retired School Principal
Special Responsibilities	Director, Member of the Bowling Greens and Grounds and Building Development Committee
Years a Director of the Club	3

Gerry Kenny

Occupation & Qualifications	Retired School Teacher
Special Responsibilities	Director, Member of the Building Development Committee
Years as director of the Club	2

John Given OAM

Qualifications	Company Director
Special Responsibilities	Director, Member of the Building Development Committee
Years as director of the Club	1

Katrina Ferro

Qualifications	Retail Services Director
Special Responsibilities	Director, Member of the Building Development Committee
Years as director of the Club	1

Meetings of directors

During the financial year, thirteen meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	**Number attended**
William Austin	13	13
Ross Patrick	13	12
Tony Fugaccia	13	10
Raymond Newton	13	13
Gary Purcell	13	12
Stephen Watson	4	4
Richard Hickey	4	4
Ross Fitzpatrick	13	10
Gerry Kenny	13	11
Katrina Ferro	9	8
John Given	9	7

Directors' Report
30 June 2019

Members guarantee

The Club is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the Club is wound up, the constitution states that each member is required to contribute a maximum of $2 (2018: $2) towards meeting any outstanding obligations of the entity.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2019 has been received and can be found on page 5 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director:	Director: ....
William Austin	Raymond Newton

Dated: 26th September 2019

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF WEST PENNANT HILLS SPORTS CLUB

I declare that, to the best of my knowledge and belief, during the year ended 30 June 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.

PKF

PKF

S Tobutt

SCOTT TOBUTT
PARTNER

26 SEPTEMBER 2019
SYDNEY, NSW

West Pennant Hills Sports Club

ABN: 50 000 609 450

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2019

	Note	2019 $	2018 $
Revenue	2	**8,020,382**	8,086,481
Cost of sales		**(708,456)**	(700,680)
Employee benefits expense		**(2,438,910)**	(2,462,248)
Courtesy bus expense		**(19,333)**	(16,992)
Advertising expense		**(11,369)**	(29,128)
Insurance expense		**(126,656)**	(113,960)
Poker machine duty		**(1,138,410)**	(1,153,100)
Entertainment and promotion expense		**(995,981)**	(1,002,638)
Rates and utilities expense		**(267,109)**	(250,920)
House expenses		**(211,327)**	(259,520)
Repairs and maintenance		**(415,746)**	(338,147)
Lease expense		**(340,234)**	(338,112)
Other expenses		**(676,547)**	(620,330)
Profit before income tax, depreciation and support to the community		**670,304**	800,706
Finance costs		**(211,090)**	(204,925)
Depreciation and amortisation expense		**(1,169,926)**	(1,003,736)
Community development expense		**(90,293)**	(72,247)
Loss before income tax		**(801,005)**	(480,202)
Income tax expense		**-**	-
Loss from continuing operations		**(801,005)**	(480,202)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(801,005)**	(480,202)

The accompanying notes form part of these financial statements.

West Pennant Hills Sports Club

ABN: 50 000 609 450

Statement of Financial Position

As At 30 June 2019

	Note	2019 $	2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	**475,150**	513,951
Trade and other receivables	4	**12,342**	21,183
Inventories	5	**64,548**	66,707
Financial assets	8	**2,706,597**	3,051,146
Other assets	6	**68,298**	73,824
TOTAL CURRENT ASSETS		**3,326,935**	3,726,811
NON-CURRENT ASSETS			
Financial assets	8	**500**	500
Property, plant and equipment	7	**22,366,030**	22,977,222
Investment property	9	**1,299,675**	1,299,675
Intangible assets	10	**1,668,046**	1,668,045
TOTAL NON-CURRENT ASSETS		**25,334,251**	25,945,442
TOTAL ASSETS		**28,661,186**	29,672,253
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	**630,020**	587,437
Borrowings	13	**297,187**	413,495
Short-term provisions	12	**280,315**	297,248
TOTAL CURRENT LIABILITIES		**1,207,522**	1,298,180
NON-CURRENT LIABILITIES			
Borrowings	13	**4,838,093**	4,969,269
Long-term provisions	12	**27,075**	15,303
TOTAL NON-CURRENT LIABILITIES		**4,865,168**	4,984,572
TOTAL LIABILITIES		**6,072,690**	6,282,752
NET ASSETS		**22,588,496**	23,389,501
EQUITY			
Reserves	16	**7,388,316**	7,388,316
Retained earnings		**15,200,180**	16,001,185
TOTAL EQUITY		**22,588,496**	23,389,501

Statement of Changes in Equity

For the Year Ended 30 June 2019

	Retained Earnings	Asset Revaluation Reserve	Total
	$	$	$
Balance at 1 July 2018	**16,001,185**	**7,388,316**	**23,389,501**
Loss for the year	**(801,005)**	**-**	**(801,005)**
Balance at 30 June 2019	**15,200,180**	**7,388,316**	**22,588,496**

	Retained Earnings	Asset Revaluation Reserve	Total
	$	$	$
Balance at 1 July 2017	16,481,387	7,388,316	23,869,703
Loss for the year	(480,202)	-	(480,202)
Balance at 30 June 2018	16,001,185	7,388,316	23,389,501

Statement of Cash Flows
For the Year Ended 30 June 2019

	Note	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**7,975,380**	8,812,892
Payments to suppliers and employees		**(7,393,368)**	(8,080,558)
Interest received		**53,039**	78,806
Finance costs		**(211,090)**	(204,925)
Net cash provided by operating activities		**423,961**	606,215
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment		**(559,827)**	(1,373,310)
Disposal of property, plant and equipment		**-**	2,782
Net proceeds/(purchase) of financial assets		**344,549**	1,374,888
Net cash (used in)/provided by investing activities		**(215,278)**	4,360
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds / (repayment) of borrowings		**(247,484)**	(499,400)
Net cash used in financing activities		**(247,484)**	(499,400)
Net increase/(decrease) in cash and cash equivalents held		**(38,801)**	111,175
Cash and cash equivalents at beginning of year		**513,951**	402,776
Cash and cash equivalents at end of financial year	3	**475,150**	513,951

The accompanying notes form part of these financial statements.

1. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001*.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

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

(b) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Gaming machine revenue is recognised on an accrual basis calculated as net of gaming machine collections and payouts, less any costs associated with future jackpot contributions.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the reporting date and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Investment property revenue is recognised on a straight-line basis over a period of the lease term so as to reflect a constant periodic rate of return on the net investment.

Other income is recognised on an accruals basis when the Club is entitled to it.

All revenue is stated net of the amount of goods and services tax (GST).

(c) Property, Plant and Equipment

Classes of property, plant and equipment are measured using the cost or revaluation model as specified below.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Assets measured using the revaluation model are carried at fair value at the revaluation date less any subsequent accumulated depreciation and impairment losses. Revaluations are performed whenever there is a material movement in the value of an asset under the revaluation model.

Land and buildings

Land and buildings are measured using the revaluation model.

Notes to the Financial Statements

For the Year Ended 30 June 2019

1. Summary of Significant Accounting Policies

(c) Property, Plant and Equipment

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

The depreciable amount of plant and equipment is depreciated on a reducing balance method from the date that management determine the asset is available for use. The depreciable amount of buildings is depreciated on a straight-line method from the date that management determine the asset is available for use. Land is not subject to any depreciation.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Buildings	2.5%
Plant and Equipment	2.5% - 33%
Property improvements	4% - 27%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(d) Income Tax

No provision for income tax has been raised as the company is exempt from income tax under Div 50 of the Income Tax Assessment Act 1997.The income tax exemption has been claimed based on self-assessment by the Directors of the Club.

(e) Investment property

Investment property, comprising residential property, is held to generate long-term rental yields and future club grounds/buildings expansions. All tenant leases are on an arm's length basis. Investment property is carried at fair value, determined annually by directors or independent valuers. Changes to fair value are recorded in the income statement as other income.

(f) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(g) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the Club are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for that period.

1. Summary of Significant Accounting Policies

(g) Leases

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Club will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(h) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(i) Intangible Assets

Intangible assets consist of Poker machine entitlements which are initially recorded at cost. Poker machine entitlements have an indefinite life and are carried at cost less accumulated impairment losses. The carrying value of intangibles are assessed annually for impairment.

(j) Inventories

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

Inventories acquired at no cost, or for nominal consideration, are valued at the current replacement cost as at the date of acquisition.

(k) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Club becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

1. Summary of Significant Accounting Policies

(k) Financial instruments

Financial assets

Classification

On initial recognition, the Club classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL

Financial assets are not reclassified subsequent to their initial recognition unless the Club changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Club's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for financial assets measured at amortised cost.

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the Club considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Club's historical experience and informed credit assessment and including forward looking information.

The Club uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Club uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Club in full, without recourse to the Club to actions such as realising security (if any is held); or
- the financial assets are more than 90 days past due.

1. Summary of Significant Accounting Policies

(k) Financial instruments

Financial assets

Credit losses are measured as the present value of the difference between the cash flows due to the Club in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Club has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Club renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Club measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Club comprise trade payables, bank loans and finance lease liabilities.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

(m) Employee benefits

Provision is made for the Club's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than twelve months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. Cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

1. Summary of Significant Accounting Policies

(m) Employee benefits

Employee benefits are presented as current liabilities in the statement of financial position if the Club does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

(n) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(o) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

(p) Critical accounting estimates and judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - income tax exemption status

The Directors of the Club have self assessed their ongoing exemption from income tax at 30 June 2019, as a Sporting Club in accordance with Section 5045 of the Income Tax Assessment Act 1997.

Key estimates - fair value of land and buildings

The Club carries land and buildings at fair value with changes in the fair value recognised in the revaluation reserve.

The land and buildings were independently valued at 30 June 2017 by MJ Davis Realty Appraisals. The valuations were based on the market values and representative of "Value in use". The critical assumptions adopted in determining the valuation included the location of land buildings, the current strong demand for land and buildings in the area and recent sales data for similar properties. The directors have made an assessment at the year end and have concluded these fair values relevant at 30 June 2017 are still appropriate at 30 June 2019.

Key estimates - fair value of investment property

The Club carries investment property at fair value with changes in the fair value recognised in profit and loss for the year.

Investment property was independently valued in the year to 30 June 2017 by MJ Davis Realty. The valuation was based on the market value. The critical assumptions adopted in determining the valuation included the location of land buildings, the current strong demand for land and buildings in the area and recent sales data for similar properties. The directors have made an assessment at the year end and have concluded the fair value relevant in the year to 30 June 2017 is still appropriate at 30 June 2019.

Notes to the Financial Statements

For the Year Ended 30 June 2019

1. Summary of Significant Accounting Policies

(p) Critical accounting estimates and judgments

Key estimates - impairment of intangibles

The recoverable amount of intangible assets was assessed by reference to the intangibles value in use. Value in use is calculated based on the present value of cash flow projections over a 5 year period. The cash flows are discounted using a rate of 7% and an annual growth rate of 3%. Management believes that any reasonable possible change in key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount of intangible assets to exceed its recoverable amount. The assumptions used in the discounted cash flow model are tested against a sensitivity model (+/ 5%).

(q) Adoption of new and revised accounting standards

The Club has adopted all standards which became effective for the first time at 30 June 2019, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Club.

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The directors have decided not to early adopt these Standards. The following summarises those future requirements, and their impact on the Club where the standard is relevant:

AASB 15: Revenue from Contracts with Customers; and AASB 1058: Income for Not-for-profit (NFP) entities are both applicable to the annual reporting periods beginning on or after 1 January 2019 (for NFP entities).

AASB 15 introduces a five step process for revenue recognition with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services.

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles based model. The new standard will apply to all contracts with customers as well as nonmonetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

AASB 1058 supersedes all the income recognition requirements relating to private sector NFP entities, and the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 Contribution. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.

The directors anticipate that the adoption of AASB 15 and AASB 1058 will not have a material impact on the financial statements.

AASB 16: Leases; applicable to the annual reporting periods beginning on or after 1 January 2019.

When effective, this standard will replace the current accounting requirements applicable to leases in AASB 117. AASB 16 introduces a single lessee accounting model that eliminates the requirements for leases to be classified as operating or finance leases.

The main changes introduced by the Standard will be for all leases to be recognised on the balance sheet at inception of the lease with the exception of short term leases (less than 12 months) and leases of low value assets. The lessee must recognise a right of use asset and a corresponding lease liability in the amount of the present value of the lease payments. Subsequent to this initial measurement, the right of use asset is depreciated over the lease term, whilst lease payments are separated into a principal and interest portion to wind up the lease liability over the lease term.

1. Summary of Significant Accounting Policies

(q) Adoption of new and revised accounting standards

The directors anticipate that the adoption of AASB 16 will not have a material impact on the financial statements as the Group currently has operating lease commitments of $978,824 which we anticipate will be brought onto the statement of financial position through the recognition of a right to use asset and associated lease liability. Interest and amortisation expense will increase, and rental expense will decrease in the financial year to 30 June 2020.

In the current year, the Club has applied AASB 9 Financial Instruments (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018.The transition provisions of AASB 9 allow an entity not to restate comparatives. The Club has elected not to restate comparatives in respect of the classification and measurement of financial instruments as there is no impact on the current or comparative period. Additionally, the Club adopted consequential amendments to AASB 7 Financial instruments: Disclosure, that were applied to the disclosures in 2019 and to the comparative period. AASB 9 introduced new requirements for:

• The classification and measurement of financial assets and financial liabilities;

• Impairment of financial assets; and

• General hedge accounting.

The directors of the Club reviewed and assessed the Club's existing financial assets as at 1 July 2018, based on the factors and circumstances that existed at that date and concluded that the initial application of AASB 9 has had an immaterial impact on the Club's financial instruments as regards to their classification and measurement during the current financial year.

Notes to the Financial Statements
For the Year Ended 30 June 2019

2. Revenue and Other Income

	2019	2018
	$	$
Sales revenue		
- Gaming revenue	**5,596,262**	5,694,113
- Bar sales	**1,563,462**	1,528,851
	7,159,724	7,222,964
Other revenue		
- Promotion revenue	**266,310**	284,429
- Sporting club income	**122,073**	114,811
- Commission received	**62,912**	61,755
- Membership subscriptions	**41,447**	39,020
- Rental income	**144,080**	136,217
- Interest received	**53,039**	78,806
- Other revenue	**170,797**	148,479
	860,658	863,517
	8,020,382	8,086,481

3. Cash and cash equivalents

	2019	2018
Cash at bank	**206,150**	264,951
Cash on hand	**269,000**	249,000
	475,150	513,951

4. Trade and other receivables

	2019	2018
CURRENT		
Trade receivables	**12,342**	21,183

5. Inventories

	2019	2018
Bar and catering stock on hand	**64,548**	66,707

6. Other assets

	2019	2018
CURRENT		
Prepayments	**68,298**	73,824

7. Property, plant and equipment

	2019	2018
	$	$
Freehold land at valuation	**7,750,000**	7,750,000
Buildings at valuation	**1,750,000**	1,750,000
Less accumulated depreciation	**(507,500)**	(463,750)
Total buildings	**1,242,500**	1,286,250
Total land and buildings	**8,992,500**	9,036,250
Capital works in progress		
At cost	**682,377**	514,353
Plant and equipment		
At cost	**5,376,473**	5,463,321
Accumulated depreciation	**(3,148,824)**	(2,801,112)
Total plant and equipment	**2,227,649**	2,662,209
Property improvements		
At cost	**11,617,040**	11,489,345
Accumulated depreciation	**(1,153,536)**	(724,935)
Total property improvements	**10,463,504**	10,764,410
Total property, plant and equipment	**22,366,030**	22,977,222

Capital works in progress reflect accumulated payments made in regard to the completion of Master Plan Stage 1B.

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Capital Works in Progress	Land	Buildings	Plant and Equipment	Property improvements	Total
	$	$	$	$	$	$
Year ended 30 June 2019						
Balance at the beginning of year	514,353	7,750,000	1,286,250	2,662,209	10,764,410	22,977,222
Additions	559,827	-	-	-	-	559,827
Disposals	-	-	-	(1,093)	-	(1,093)
Depreciation expense	-	-	(43,750)	(696,606)	(429,570)	(1,169,926)
Transfers	(391,803)	-	-	263,139	128,664	-
Balance at the end of the year	682,377	7,750,000	1,242,500	2,227,649	10,463,504	22,366,030

Notes to the Financial Statements
For the Year Ended 30 June 2019

8. Financial assets

	2019	2018
	$	$
CURRENT		
Term deposits	**2,706,597**	3,051,146
NON-CURRENT		
Unlisted investments, at fair value	**500**	500

9. Investment property

Balance at beginning of the period	**1,299,675**	2,049,675
Reclassification to property, plant and equipment	**-**	(750,000)
	1,299,675	1,299,675

"Investment property" shown above are investments in residential properties at Bowerman Place, Cherrybrook. Investment property situated at Bowerman Place, Cherrybrook is carried at fair value, determined in 2017 by independent valuation. The investment property situated at 97-99 New Line Road, Cherrybrook was transferred to property, plant and equipment as part of land and buildings during 2018, when the club have brought this land into use as part of their new car park.

Core and non-core properties

Pursuant to Section 41J of the Registered Clubs Act 1976 ("the Act") the members approved and agreed to classify the following properties as core or non-core as defined by the Act:

- Core property is specified as the club house, bowling greens and property contained in the consolidated land title under which these areas are held on 103 - 109 New Line Road, West Pennant Hills. These are classified as property, plant and equipment in the balance sheet.

- Non-core properties are specified as the residential house owned by the club being 20 Bowerman Place, Cherrybrook and the car park at 97-99 New Line Road, West Pennant Hills. 97-99 New Line Road has been classified as none core property on the basis it does not comprise the defined premises of the Club and is not provided by the Club for the use of its members and their guests.

10. Intangible Assets

Poker machine entitlements at cost	**1,668,046**	1,668,045

11. Trade and other payables

CURRENT		
Trade creditors	**256,123**	295,260
Accrued expenses	**373,897**	292,177
	630,020	587,437

12. Provisions

CURRENT		
Provision for Annual Leave	**180,931**	183,469
Provision for Long Service Leave	**99,384**	113,779
	280,315	297,248

Notes to the Financial Statements

For the Year Ended 30 June 2019

12. Provisions

	2019 $	2018 $
NON-CURRENT		
Provision for Long Service Leave	**27,075**	15,303

Provision for Short-Term Employee Entitlements

A provision has been recognised for employee benefits relating to long service leave, annual leave. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

Provision for Long-Term Employee Entitlements

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1.

13. Borrowings

	2019 $	2018 $
CURRENT		
Secured liabilities:		
Bank loans	**120,000**	-
Finance lease obligation	**177,187**	413,495
	297,187	413,495
NON-CURRENT		
Secured liabilities:		
Commercial bill facility	**4,590,000**	4,429,218
Finance lease obligation	**53,093**	120,051
Bank loans	**195,000**	420,000
	4,838,093	4,969,269

The bank debt is secured by a registered mortgage over properties located at 97-99 and 103 New Line Road and 20 Bowerman Place Cherrybrook NSW 2126. Lease liabilities are secured by the underlying leased assets.

Notes to the Financial Statements

For the Year Ended 30 June 2019

14. Financial Risk Management

The main risks West Pennant Hills Sports Club is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk.

The Club's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, bank loans and overdrafts and leases.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	2019 $	2018 $
Financial Assets		
Financial Assets at amortised cost		
Cash and cash equivalents	**475,150**	513,951
Term deposits	**2,706,597**	3,051,146
Trade and other receivables	**12,342**	21,183
Financial assets at fair value through profit or loss		
Unlisted shares	**500**	500
Total financial assets	**3,194,589**	3,586,780
Financial Liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**630,020**	587,437
Borrowings	**5,135,280**	5,382,764
Total financial liabilities	**5,765,300**	5,970,201

15. Leasing Commitments

		2019 $	2018 $
Finance lease commitments			
Payable - minimum lease payments:			
- not later than 1 year	13.	**177,187**	413,495
- between one year and five years	13.	**53,093**	120,051
		230,280	533,546
Contracted Commitments			
Equipment rental:			
- not later than 1 year		**326,275**	148,489
- between one year and five years		**652,549**	-
		978,824	148,489
		978,824	148,489

At year end the Club has not entered into any contractual agreements for the completion of Master Plan Stage 1B.

Notes to the Financial Statements

For the Year Ended 30 June 2019

16. Reserves

	2019	2018
	$	$
Asset revaluation reserve	**7,388,316**	7,388,316

The asset revaluation reserve records realised gains on revaluation of property, plant and equipment recorded at fair value.

17. Interest of Key Management Personnel

The total remuneration paid to key management personnel of the Club is $ 456,315 (2018: $ 527,453).

18. Contingent Liabilities and Contingent Assets

In the opinion of the Directors, the Club did not have any contingencies at 30 June 2019 (30 June 2018: None).

19. Members' Guarantee

The Club is limited by guarantee. If the Club is wound up, the Constitution states that each member is required to contribute a maximum of $2. At 30 June 2019 the number of members was 11,391 (2018:10,090).

20. Events Occurring After the Reporting Date

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

21. Company Details

The registered office of the company is:

West Pennant Hills Sports Club
103 New Line Road
Cherrybrook NSW 2125

Directors' Declaration

The directors of the Club declare that:

1. The financial statements and notes, as set out on pages 6 to 23 are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards - Reduced Disclosure Requirements; and

    b. give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the Club.

2. In the directors' opinion, there are reasonable grounds to believe that the Club will be able to pay its debts as and when they become due and payable.

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

Director .... Director ....
William Austin Raymond Newton

Dated: 26 September 2019

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF WEST PENNANT HILLS SPORTS CLUB

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of West Pennant Hills Sports Club (the Company), which comprises the statement of financial position as at 30 June 2019, 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 statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year ended; 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 auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We 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.

Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, 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.

PKF

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SCOTT TOBUTT
PARTNER

26 SEPTEMBER 2019
SYDNEY, NSW