Tamworth Services Club Limited
ABN: 37 000 975 155

Annual financial report
30 June 2020

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Tamworth Services Club Limited
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Directors' report
for the year ended 30 June 2020

The directors present their report together with the financial report of Tamworth Services Club Limited ("the Company") for the year ended 30 June 2020 and the auditor's report thereon.

1. Directors

The directors of the Company at any time during or since the end of the financial year are:

Director	Board Experience	Special Responsibility
Lloyd A Johnston	35 years	Chairman
Cedric C Green	31 years	Director
Robert Luck	6 years	Director
Gregory Bartlett	6 years	Director
Mark Richmond	5 years	Director
Lawrence Hoad	4 years	Director (retired 27 November 2019)
Peter Izod	1 year	Director

2. Company secretary

Mr Kristian Brooks was appointed to the position of Company Secretary on 1 June 2008. Mr Brooks is also the Chief Executive Officer of the company.

3. Directors' meetings

The number of directors' meetings (including meeting of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

	Board meetings		Other meetings	
Director name	No. of meetings attended	No. of meetings held*	No. of meetings attended	No. Of meetings held*
Lloyd A Johnston	12	12	1	1
Cedric C Green	10	12	1	1
Robert Luck	12	12	1	1
Gregory Bartlett	12	12	1	1
Mark Richmond	12	12	1	1
Lawrence Hoad	5	5	-	-
Peter Izod	10	12	1	1

* Reflects the number of meetings held during the time the director held office during the year.

4. Principal activities

The principal activities of the Company during the course of the financial year consisted of the conduct and promotion of a licensed social club for members of the Company.

There were no significant changes in the nature of the activities of the Company during the year.

5. Membership

The Company is a Company limited by guarantee and without a share capital. In accordance with the Constitution of the Company, every member of the Company undertakes to contribute an amount limited to $Nil / member in the event of the winding up of the Company, during the time he or she is a member or within one year thereafter. The number of members as at 30 June 2020 and the comparison with prior year is as follows:

5. Membership (continued)

	2020 No.	2019 No.
Ordinary	5,734	6,468
Life	8	7
	5,742	6,475

6. Operating and financial review

Overview of the company

The loss for the year amounted to $15,973 (2019: loss of $221,322). This resulted after charging $464,081 of net depreciation (2019: $445,570) and $54,775 of net financing costs (2019: $51,512) and $Nil for income tax (2019: $Nil).

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

7. Dividends

The Company is a non-profit organisation and is prevented by its constitution from paying dividends.

8. Environmental regulation

The Company's operations are subject to various environmental regulations under both Commonwealth and State legislation.

The Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the company.

9. Objectives

Short term

In the short term, we will be directing our efforts in providing benefits to members of the company.

Long term

Our long term strategy is to ensure that the Club and its facilities stay relevant to our local community.

Strategy for achieving the objectives

Our strategy for achieving our objectives includes developing a holistic facility at North Tamworth and Manilla and maintaining our high customer service, financial and community involvement standards.

10. Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years, apart from the ongoing consequences of the global pandemic COVID-19, which has the potential to impact the financing and operating decisions of the company. The directors are reviewing and monitoring this continuously to ensure it complies with the laws and regulations, and it remains a viable proportion in the future.

11. Likely developments

The directors do not anticipate any particular development in the operations of the Company which will affect the result in subsequent years, apart from the proposed sale of the company's property situated at 199 Marius Street, Tamworth NSW 2340.

12. Indemnification and insurance of officers

The Company has provided for and paid premiums during the year for directors' and officers' liability and legal expenses insurance contacts.

The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome.
- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The directors have not included details of the nature of the liabilities covered and the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

13. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for financial year 2020.

This report is made in accordance with a resolution of the directors:

Dated at Tamworth this 28th day of October 2020.

C C Green

L A Johnston	C Green
Director	*Director*

Strategic Audit Services
Chartered Accountants

Auditor's independence declaration
Under Section 307C of the Corporations Act 2001

To: the directors of Tamworth Services Club Limited

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

- No contraventions of the auditor independence requirements as set out in the *Corporation Act 2001* in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

Strategic Audit Services Pty Limited
Chartered Accountants

S. Balram
Director

28 October 2020.

Tamworth.

Director
Sharma Balram

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Strategic Audit Services Pty Ltd

ACN: 139 121 841

Tamworth Services Club Limited
ABN: 37 000 975 155
Statement of comprehensive income
for the year ended 30 June 2020

	Note	2020 $	2019 $
Revenue	6	6,005,603	6,692,109
Changes in inventory of finished goods		(827,352)	(1,010,338)
Personnel expenses		(2,166,753)	(2,178,759)
Entertainment, marketing and promotional expenses		(1,090,393)	(1,495,821)
Poker machine compliance costs		(444,469)	(517,302)
Property expenses		(879,760)	(1,027,317)
Other expenses		(93,993)	(186,812)
Profit before interest, income tax expense and depreciation (EBITDA)		502,883	275,760
Depreciation	14	(464,081)	(445,570)
Results from operating activities		38,802	(169,810)
Net financing costs	7	(54,775)	(51,512)
(Loss) before income tax		(15,973)	(221,322)
Income tax expense	8	-	-
(Loss) for the year		(15,973)	(221,322)
Other comprehensive income		-	-
Total comprehensive income for the year		(15,973)	(221,322)

The accompanying notes for an integral part to these financial statements

Tamworth Services Club Limited
ABN: 37 000 975 155
Statement of changes in equity
for the year ended 30 June 2020

	Note	2020 $	2019 $
Members' funds			
Balance at 1 July		4,900,260	5,121,582
(Loss) for the year	19	(15,973)	(221,322)
Other comprehensive income		-	-
Balance at 30 June		4,884,287	4,900,260

The accompanying notes for an integral part to these financial statements

Tamworth Services Club Limited
ABN: 37 000 975 155
Statement of financial position
as at 30 June 2020

	Note	2020 $	2019 $
Assets			
Cash and cash equivalents	9	247,339	165,124
Trade and other receivables	10	245,375	159,868
Inventories	11	130,293	132,221
Total current assets		623,007	457,213
Intangible assets	13	628,140	628,140
Property, plant and equipment	14	6,270,541	6,479,092
Total non-current assets		6,898,681	7,107,232
Total assets		7,521,688	7,564,445
Liabilities			
Trade and other payables	15	857,698	1,055,232
Loans and borrowings	16	1,328,842	306,018
Employee benefits	17	349,487	300,245
Provisions	18	10,274	19,124
Total current liabilities		2,546,301	1,680,619
Trade and other payables	15	36,316	23,663
Loans and borrowings	16	44,302	947,126
Employee benefits	17	10,482	12,777
Total non-current liabilities		91,100	983,566
Total liabilities		2,637,401	2,664,185
Net assets		4,884,287	4,900,260
Members' funds			
Members' funds	19	4,884,287	4,900,260
Total members' funds		4,884,287	4,900,260

Tamworth Services Club Limited
ABN: 37 000 975 155
Statement of cash flows
for the year ended 30 June 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Cash receipts from customers		6,520,656	7,374,194
Cash paid to suppliers and employees		(6,248,314)	(6,864,302)
Cash generated from operations		272,342	509,892
Interest received		41	2,036
Interest paid		(54,816)	(53,548)
Net cash from operating activities		217,567	458,380
Cash flows from investing activities			
Acquisition of property, plant and equipment		(144,073)	(112,455)
Net cash used in investing activities		(144,073)	(112,455)
Cash flows from financing activities			
Proceeds from borrowing		140,162	-
Repayment of borrowings		-	(101,867)
Repayment of hire purchase liabilities		(131,441)	(186,605)
Net cash used in financing activities		8,721	(288,472)
Net increase in cash and cash equivalents		82,215	57,453
Cash and cash equivalents at 1 July		165,124	107,671
Cash and cash equivalents at 30 June	9	247,339	165,124

The accompanying notes for an integral part to these financial statements

1. Reporting entity

Tamworth Service Club Limited ("the Company") is incorporated and domiciled in Australia as a company limited by guarantee. The address of the Company's registered office is 199 Marius Street, Tamworth NSW 2340. The financial statements of the Company are as at and for the year ended 30 June 2020.

The Company is primarily involved in the conduct and promotion of a licensed social club for members of the Company.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard – Reduced Disclosure Requirements of the Australian Accounting Standards Board ("AASB"), the *Corporations Act 2001*, the Registered Clubs Amendment Act 2006 and the Gaming Machines Tax Act 2001. The Company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements were approved by the Board of Directors on 2020.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year, are included in the notes to the financial statements.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Going Concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of business and realisation of assets and settlement of liabilities in the ordinary course of business.

The Company has incurred a loss of $15,973 for the year ended 30 June 2020 (2019: loss of $221,322), total accumulated members funds was $4,884,287 (2019: $4,900,260) and deficiency in working capital of $1,923,294 (2019: $1,223,406). EBITDA amounted to $502,883 (2019: $275,760).

The ability of the company to remain as a going concern is dependent on the following:

- The likely completion of the sale of the company's non-core property of the company. This transaction has been in progress for a few months. Whilst a contract is not in place at this time, it is likely to be completed in the near future;
- The company achieving its forecast results in order to enable them to generate sufficient cash flow to maintain its operations.
- The company exploring opportunities for sustainable cost reductions across key trading areas at all the venues;
- The company aligning its focus to ensure the financial viability of its operations continues to be monitored and maintained without compromising service quality.

After reviewing the forecast cash flows, the directors of Tamworth Services Club Limited consider the company will continue to fulfil all obligations as and when they fall due for the foreseeable future. The directors believe the cash flow required is achievable and accordingly consider that the company's financial statement should be prepared on a going concern basis.

Accordingly, no adjustment have been made to the financial statements relating to the recoverability and classification of recorded asset amount, or to amounts and classifications of liabilities that might be necessary should the company not continue as a going concern.

(b) Financial instruments

Non-derivative financial assets

Financial assets are recognised initially on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the loans and receivables category.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loan and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less.

Non-derivative financial liabilities

Financial liabilities are recognised initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The Company has the following non-derivative financial liabilities: trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

(c) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs
The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The costs of day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

3. Significant accounting policies (continued)

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if the component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives in the current and comparative periods are as follows:

	2020	2019
• Poker Machines	4 years	4 years
• Plant and equipment	3-6 years	3 – 6 years
• Buildings	40 years	40 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(e) Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default of delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or economic conditions that correlate with defaults.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of defaults, timing of recoveries and the amounts of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

3. **Significant accounting policies (continued)**

(e) **Impairment (continued)**

Non-derivative financial assets (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. For intangible assets that have indefinite lives (including goodwill), the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Depreciated replacement cost is used to determine value in use. Depreciated replacement cost is the current replacement cost of the item less, where applicable, accumulated depreciation to date, calculated on the basis of such cost. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of the assets in the unit (group of units) on a pro-rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

(f) **Employee benefits**

Short-term benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the obligation is settled.

The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current employee benefits in the statement of financial position. The company's obligations for employees' annual leave and long service entitlements are recognised as employee benefits in the statement of financial position.

3. Significant accounting policies (continued)

(f) Employee benefits (continued)

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the re-measurement of obligations due to change in assumptions for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current employee benefits in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(g) Provisions

A provision is recognised if, as a result of a past event, the 'Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Link jackpots and bonus points

The provision for poker machine link jackpots and bonus points represent the company's estimated present obligation to members and visitors in respect of poker machine payouts and bonus points promotions. The provisions are expected to be realised within 12 months of the balance date.

(h) Revenue recognition

Revenues are 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 revenue.

Sale of goods

Revenue from the sale of goods compromises revenue earned from the provisions of food, beverage, and other goods sold and is recognised (net of rebates, returns, discounts and other allowances) on the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of goods.

3. **Significant accounting policies (continued)**

(h) **Revenue recognition (continued)**

Rendering of services
Revenue from rendering services comprises revenue from gaming facilities together with other services to members and other patrons of the club and is recognised when the services are provided.

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.

Sale of property, plant and equipment

The gain or loss on disposal 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 revenue at the date control of asset passes to the buyer.

Members' subscription
Subscriptions paid in advance are allocated between current and non-current liabilities based upon the membership category for which subscriptions have been received.

(i) **Lease payments**

Lease in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are operating leases and, except for investment property, the leased assets are not recognised in the Company's financial statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense and spread over the lease term.

(j) **Finance income and expenses**

Finance income comprises interest income on funds invested that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

(k) **Income taxes**

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

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance date, and any adjustment to tax payable in respect of previous years.

3. **Significant accounting policies (continued)**

(k) **Income taxes (continued)**

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences in relation to goodwill and the initial recognition of assets or liabilities that affect neither accounting for taxable profit.

Deferred tax is measurable at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that is no longer probable that the related tax benefit will be realised.

(l) **Segment reporting**

A segment is a distinguishable component of the entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format for segment reporting is based on business segments.

The Company operates predominantly in the hospitality and entertainment industry. Its operations and customers are located predominantly in Tamworth, New South Wales. The Company provides food, beverage, gaming, and other entertainment facilities to members and guests.

(n) **Issued accounting standards not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements.

4. **Financial risk management**

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout this financial report.

The Directors have overall responsibility for the establishment and oversight of the risk management framework and is also responsible for developing and monitoring risk management policies.

4. **Financial risk management (continued)**

Overview (continued)

Risk management policies are established to identify and analyse the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Directors oversee how management monitors compliance with the Company's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade and other receivables.

At the balance date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the company's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. However, geographically there is no concentration of credit risk.

The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's view includes external ratings, when available, and in some cases bank references. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors cash flow requirements on a daily basis and optimises its payments and receipts cycle accordingly. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

4. Financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The company is not exposed to currency risk on sales, purchases and borrowings that are denominated in the Australian dollar.

Interest rate risk

The Company's financial assets and liabilities are subject to interest rate risk. The Company does not use derivatives to minimise this risk and these will fluctuate in accordance with movements in the market interest rates.

5. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

		2020	2019
		$	$
6.	**Revenue**		
	Revenue from beverages	1,753,934	2,098,642
	Revenue from gaming	3,150,533	3,792,570
	Revenue from catering	226,284	263,857
	Subscriptions and joining fees	44,193	59,171
	Commission	239,351	288,375
	Bowling fees	7,760	9,959
	Other	583,548	179,535
		6,005,603	6,692,109
7.	**Net financing costs**		
	Interest income	41	2,036
	Financial income	41	2,036
	Interest on mortgage	(51,459)	(50,307)
	Interest on hire purchase	(3,357)	(3,241)
	Financial expenses	(54,816)	(53,548)
	Net financing costs	(54,775)	(51,512)

		2020 $	2019 $
8.	**Income tax expense**		
	Recognised in the statement of comprehensive income		
	Current tax expense		
	Current year	-	-
	Deferred tax expense		
	Benefit of tax losses utilised	-	-
	Total income tax expense in the statement of comprehensive income	-	-
9.	**Cash and cash equivalents**		
	Cash on hand	294,938	210,154
	Cash at bank	(47,599)	(45,030)
	Short-term deposits	-	-
		247,339	165,214
10.	**Trade and other receivables**		
	Current		
	Trade receivables	176,050	75,406
	Less: impairment losses	-	-
		176,050	75,406
	Prepayments	69,325	84,462
		245,375	159,868
11.	**Inventories**		
	Finished goods at cost		
	Bar and bistro stock	90,654	88,792
	Other stock	39,639	43,429
		130,293	132,221
12.	**Deferred tax assets and liabilities**		
	Unrecognised deferred tax assets		
	Deferred tax assets have not been recognised in respect of the following items:		
	Deductible temporary differences	52,370	46,982
	Tax losses carried forward	334,233	366,203
		386,603	413,185

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits.

		2020 $	2019 $
13.	**Intangible assets**		
	Non- current		
	Poker machine entitlements, at carrying value	628,140	628,140
	Movement		
	Opening carrying value	628,140	628,140
	Acquisition on amalgamation	-	-
	Closing carrying value	628,140	628,140

Impairment test for poker machine entitlements

At the end of the reporting period, the company assessed the recoverable amount of poker machine entitlements based on the value in use methodology.

The company used the pre-tax cash flows generated from the poker machine net revenues generated and calculated the present values of these future cash flows at a discount rate of 3% to arrive at the value of these amendments. The value in use recoverable amount for each entitlement is calculated by dividing the total value of entitlements with the actual number of entitlements. The value thus arrived, was in excess of the carrying value and accordingly no impairment losses were recognised.

14. Property, plant and equipment

	Freehold Land $	Buildings $	Plant & equipment $	Poker Machines $	Blinds & Curtains $	Crockery & kitchenware $	Work-in-progress $	Total $
Cost								
Balance at 1 July 2018	678,602	5,959,506	3,196,954	3,808,747	13,148	28,039	-	13,684,996
Acquisitions	-	32,218	26,472	52,837	-	928	-	112,455
Disposal	-	-	-	-	-	-	-	-
Balance at 30 June 2019	678,602	5,991,724	3,223,426	3,861,584	13,148	28,967	-	13,797,451
Balance at 1 July 2019	678,602	5,991,724	3,223,426	3,861,584	13,148	28,967	-	13,797,451
Acquisitions	-	23,611	21,311	89,553	-	-	121,055	255,530
Disposals	-	-	-	-	-	-	-	-
Balance at 30 June 2020	678,602	6,015,335	3,244,737	3,951,137	13,148	28,967	121,055	14,052,981
Depreciation and impairment losses								
Balance at 1 July 2019	-	1,449,881	2,608,970	3,236,708	13,148	9,652	-	7,318,359
Depreciation charge for the year	-	135,313	114,256	213,695	-	817	-	464,081
Disposals	-	-	-	-	-	-	-	-
Balance at 30 June 2020	-	1,585,194	2,723,226	3,450,403	13,148	10,469	-	7,782,440
Balance at 1 July 2018	-	1,334,297	2,463,064	3,052,837	13,148	9,443	-	6,872,789
Depreciation charge for the year	-	115,584	145,906	183,871	-	209	-	445,570
Disposals	-	-	-	-	-	-	-	-
Balance at 30 June 2019	-	1,449,881	2,608,970	3,236,708	13,148	9,652	-	7,318,359
Carrying amounts								
At 1 July 2018	678,602	4,625,209	733,890	755,910	-	18,596	-	6,812,207
At 30 June 2019	678,602	4,541,843	614,456	624,876	-	19,315	-	6,479,092
At 1 July 2019	678,602	4,541,843	614,456	624,876	-	19,315	-	6,479,092
At 30 June 2020	678,602	4,430,141	521,511	500,734	-	18,498	121,055	6,270,541

14. Property, plant and equipment (continued)

Leased plant and equipment

The Company leases plant and equipment under hire purchase agreements. At the end of the hire purchase term, the Company has the option to purchase the equipment at a beneficial price. At 30 June 2020, the net carrying amount of leased plant and equipment was $300,288 (2019: $357,654). The leased plant and equipment secures hire purchase obligations.

Security

At 30 June 2020, freehold land and buildings with a carrying amount of $5,108,743 (2019: $5,220,445) are subject to a registered debenture to secure the mortgage finance facility.

Valuation

Preston Rowe Paterson carried out an independent valuation of the Company's freehold land and buildings on 24 August 2015 on the basis of open market value, which resulted in a valuation of land and buildings of $4,950,000. The property at 20-26 Bligh Street, Tamworth was independently valued by Preston Rowe Paterson on 12 November 2019 on the basis of open market value, which resulted in a valuation of land and buildings of $1,665,000. The property at 25-31 Court Street, Manilla was independently valued by Preston Rowe Paterson on 8 November 2019 on the basis of open market value, which resulted in a valuation of land and buildings of $965,000. As the land and buildings are recorded at cost, the directors have resolved not to bring this valuation into account.

The following are core properties:

25-31 Court Street, Manilla.
20-26 Bligh Street, Tamworth.

15. Trade and other payables

	2020 $	2019 $
Current		
Trade payables	163,020	426,489
Non trade payables and accrued expense	681,169	610,112
Income received in advance	13,509	18,631
	857,698	1,055,232
Non-current		
Income received in advance	36,136	23,663

	2020	2019
	$	$

16. Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings.

	2020 $	2019 $
Current liabilities		
Fixed rate loan	1,265,000	1,124,838
Hire purchase	63,842	128,306
	1,328,842	1,253,144
Non-current liabilities		
Fixed rate loan	-	-
Hire purchase	44,302	-
	44,302	-
The Company has access to the following lines of credit:		
Fixed rate loan	1,265,000	1,124,838
	1,265,000	1,124,838
Facilities utilised at reporting date		
Fixed rate loan	1,265,000	1,124,838
	1,265,000	1,124,838
Facilities not utilised at reporting date		
Fixed rate loan	-	-
	-	-

Financing arrangements

Fixed rate loan

The fixed rate loan is denominated in Australian dollars.

The fixed rate loan is secured by registered charge over the freehold land and buildings of the Company situated at 199 Marius Street, Tamworth, 65-73 Piper Street, North Tamworth and 25-31 Court Street, Manilla, together with a general security interest over all present and after acquired property of the company. The fixed rate loan bears interest at rates of 2.89% per annum payable monthly. The fixed rate loan is secured over freehold land and buildings with a carrying amount of $5,106,043 (2019: $5,220,445).

Lease facility

The Company's leased assets are secured by the leased assets, in the event of default the leased assets revert to the lessor.

	2020 $	2019 $
17. Employee benefits		
Current		
Liability for annual leave	221,301	185,874
Liability for long service leave	128,186	114,371
	349,487	300,245
Non-current		
Liability for long service leave	10,482	12,777
	10,482	12,777

Superannuation plans

The Company makes contributions to several superannuation plans. The amount recognised as expense was $129,760 for the year ended 30 June 2020 (2019: $168,389).

18. Provisions	Turbo Points $	Link Jackpot $	Total $
Balance at 1 July 2019	15,000	4,124	19,124
Provisions made during the year	(11,700)	2,850	(8,850)
Balance at 30 June 2020	3,300	6,974	10,274

19. Members' funds	2020 $	2019 $
Balance at 1 July	4,900,260	5,121,582
Total recognised income and expense	(15,973)	(221,322)
Other comprehensive income	-	-
Balance at 30 June	4,884,287	4,900,260

20. Commitments

Hire purchase commitments
Hire purchase payments are payable as follows:

	2020 $	2019 $
Within one year	67,255	128,529
One year or later and no longer than five years	46,441	-
	113,696	128,529
Less future hire purchase charges	(5,552)	(223)
	108,114	128,306
Hire purchase liabilities provided for in the financial statements:		
Current	63,842	128,306
Non-current	44,302	-
Total hire purchase liabilities	108,114	128,306

	2020 $	2019 $

21. Contingencies

Contingent liabilities considered remote

The directors are of the opinion that provisions are not required in respect of those matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement

	2020 $	2019 $
Guarantees		
TAB Limited	10,000	10,000

22. Related parties

The following were key management personnel of the Company at any time during the reporting period, and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors
Lloyd A Johnston
Cedric C Green
Robert Luck
Russell Williams (retired 19 December 2019)
Gregory Bartlett
Mark Richmond
Lawrence Hoad
Peter Izod

Executives
Kristian Brooks
Anne Maree Gerathy
Chris Clarke
Vicki Pryor
Sonia Manicaros

Transaction with key management personnel

No director has received any remuneration from the Company during the year, or in the prior year.

The key management personnel compensation included in "employment expenses" are as follows:

	2020 $	2019 $
Short-term employee benefits	486,141	507,419
Other long-term benefits	-	-
	486,141	507,419

22. Related parties (continued)

Other key management personnel transactions with the company

From time to time, directors of the Company may purchase goods from the company or participate in other Club activities. These purchases and participations 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 G Bartlett provided construction services to the company at cost of $19,864, which was on the commercial arm lengths basis (2019: $5,173). During the year, M Richmond provided mechanical services to the company at a cost of $103, which was on commercial arms length basis (2019: $91).

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

23. 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 $Nil per member in the event of the winding up of the Company during the time that he or she is a member or within one year thereafter. At 30 June 2020 there were 5,742 members (2019: 6,475 members).

The registered office of the Company is 199 Marius Street Tamworth, NSW, Australia 2340.

24. Subsequent events

There have been no events subsequent to balance date which would have a material effect on the Company's financial statements at 30 June 2020, apart from the ongoing consequences of the global pandemic COVID-19, which has the potential to impact the financing and operating decisions of the company. The directors are reviewing and monitoring this continuously to ensure it complies with the laws and regulations, and it remains a viable proportion in the future.

Tamworth Services Club Limited
ABN: 37 000 975 155
Directors' declaration
for the year ended 30 June 2020

In the opinion of the directors of Tamworth Services Club Limited ("the company"):

(a) the financial statements and notes, set out on pages 5 to 26 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of the company as at 30 June 2020 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Tamworth this 28th day of October 2020.

Signed in accordance with a resolution of the directors:

L A Johnston
Director

C Green
Director

Strategic Audit Services
Chartered Accountants

Independent auditors' report to the members of Tamworth Services Club Limited

Report on the financial report
Opinion

We have audited the accompanying financial report of Tamworth Services Club Limited ("the Company"), which comprises the statement of financial position as at 30 June 2020, and the statement of comprehensive income, statement of changes in member's funds and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes set out on pages 5 to 26 and the directors' declaration set out on page 27.

Audit Opinion
In our opinion, the accompanying financial report of Tamworth Services Club Limited, is in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the company's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the Corporation Regulations 2001.

Basis of opinion
We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our audit. 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 APES 110 Code of 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.

Material uncertainty regarding continuation as a going concern
Without qualifying our opinion, we draw attention to Note 3 (a) in the financial report which indicated that the company had a deficiency in working capital amounting to $1,923,294 (2019: deficiency of $1,223,406), incurred a loss of $15,973 (2019: loss of $221,322), net assets amounted to $4,884,287 (2019: $4,900,260), and cash flows provided by operating activities amounted to $217,567 (2019: $458,380) for the year ended 30 June 2020. These conditions indicate the existence of material uncertainty which may cast doubt about the company's ability to continue as a going concern.

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 Standard – 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 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 Accounting 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

Strategic Audit Services
Chartered Accountants

Independent auditors' report to the members of Tamworth Services Club Limited

Auditor's Responsibilities for the Audit of the Financial Report (Continued)

As part of an audit in accordance with 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, misinterpretations, or the override of internal controls.
- 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 purposes of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 or 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 representation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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.

Strategic Audit Services Pty Limited
Chartered Accountants

S Balram
Director

28 October 2020.
Tamworth.

Principal
Sharma Balram

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