



KIRRIBILLI CLUB

71st ANNUAL REPORT 2019



KIRRIBILLI EX SERVICE CLUB LIMITED

(A company limited by guarantee)

ABN 16 000 057 250

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(A company limited by guarantee)
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NOTICE OF MEETING – 2019 ANNUAL GENERAL MEETING

The Seventy First Annual General Meeting of the Kirribilli Club will be held at 11.00am on Sunday 27th October 2019 at 11-23 Harbourview Crescent Lavender Bay.

AGENDA

1. To conduct the business of the Annual General meeting including to receive and consider the financial statements of the company for the year ended 30th June 2019 and the Directors' report, Directors' Statement and Audit Report. Questions in respect of the Financial Statements must be submitted in writing fourteen (14) days prior to the AGM
2. To approve Ordinary Resolutions
3. An updated business review on the 2019 results and related issues
4. Proposed appointment of PKF Chartered Accountants as Auditors for the 2020 Financial Year
5. General Business. Due notice must be given to issues that require prior research

FIRST ORDINARY RESOLUTION

That the members hereby approve the reimbursement of out-of-pocket expenses incurred by the President of the Club in the course of his/her duties until the next Annual General Meeting of the Club provided:

- a) each of the expenses is approved by the Board of the Club;
- b) the total amount of those expenses does not exceed \$6,000.00

SECOND ORDINARY RESOLUTION

That the members hereby approve the reimbursement of out-of-pocket expenses incurred by each Director of the Club in the course of his/her duties until the next Annual Meeting of the Club provided:

- a) each of the expenses is approved by the Board of the Club;
- b) the total amount of those expenses does not exceed \$3,000 for each Director.

THIRD ORDINARY RESOLUTION

That the members hereby approve the reimbursement of out-of-pocket expenses incurred by the Welfare Officer of the Club in the course of his/her duties (notwithstanding that the Welfare Officer may also be a Director in receipt of out-of-pocket expenses for his/her duties as a Director) provided:

- a) each of the expenses is approved by the Board of the Club;
- b) the total of those expenses does not exceed \$2,000.

FOURTH ORDINARY RESOLUTION

That the President and the Directors be entitled to be reimbursed reasonable expenses incurred for travel and accommodation when attending trade conferences, seminars and meetings provided the expenses are approved by the Board of the Club.

FIFTH ORDINARY RESOLUTION

That the President and each of the Directors shall be entitled to the following benefits which are not available equally to full members of the Club:

- a) A gift of liquor at Christmas not exceeding \$200 in value;
- b) Reasonable meals and refreshments whilst on duty.
- c) Suitable Director's attire as approved by the Board.
- d) Complimentary car parking within the club whilst on duty.



PRESIDENT'S REPORT
2019

On behalf of the Board of Directors of the Kirribilli Ex-Service Club, I have pleasure in presenting to members with the 71st Annual Report and Financial Statements for the year ended 30th June 2019. This summary will be put forward at the Annual General Meeting, which will be held on Sunday 27th October 2019 commencing at 11.00am.

In conjunction with the retirement of Tom Richardson OAM, from his long and outstanding role of Club President in May 2019 and my subsequent appointment as Club President, we are as a Board, working closely with our new CEO Andrew Crofts.

Following the resignation of Tom Richardson and Chris Cundy, Aldo Nicotra and Julian Robinson have joined the Board and will offer their expertise from their chosen field. Their addition increases the number of professionals by bringing a fresh approach to the business in general.

All current Board members have completed the NSW Club Directors Institute Training which covers finance and the legal responsibilities required by Club Directors. In addition to this, all Directors are currently enjoying their participation in Responsible Service of Alcohol training.

The notice calling for nominations for the Board of Directors will not be due until the final quarter of 2020 as these elections are biennial.

With a number of new initiatives and a new business plan to develop the club overall, I am focused on areas including the members services, entertainment, improved dining options and a corporate membership model.

The Club's trading for the year ended 30th June 2019, the loss before income tax, depreciation and interest was \$11,370. Considering the current financial environment this is a positive result. Controlled costs throughout the year ensured that the Club finished in a similar position to the previous year.

The Club's membership remains steady at 19,500 as at the end of September 2019 and will continue to grow over the busy period.

As the new Chairman of the Club it is my proud undertaking to continue the support for the veteran community and to do this through our own RSL Sub-Branch. The Club will continue the support of the ex-services organisations such as the Army Apprentices Association, the Royal Australian Signals Association, the RAAF Association and the Kirribilli Bald Eagles, an organisation of ex-military aviators.

The Club is focused on improving the use of electronic information delivery such as the website, email and social media to enhance membership engagement. I encourage members to check with the club reception that we have your updated details on file to ensure you receive our newsletters and information on our promotions.

I would like to thank Andrew Crofts, the Management team and all Club staff for the tireless and dedicated support of myself, the members and the Board of Directors. I sincerely acknowledge their dedication and contribution to the successful running of our Club.

I also thank Anthony and Helen for their effort in the provision of food and services to the Watergrill and Club functions.

In conclusion, I look forward to the challenges as the Chairman of this great Club and the exciting future that will be enjoyed by the community and our members at large.

Many thanks

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

Lukas Bendt
Club President

2019 Review

The 2019 Financial year endured several external financial issues that affected many Australian businesses and in particular, the hospitality and Club industries. This caused a reduction in leisure spend that resulted in many business reporting substantial declines in revenue for the year.

The Operating Loss for the year after rent but before non-cash items of depreciation, interest, amortisation and impairments was \$11,370 which is slightly behind the 2018 financial year result.

Further focus on reducing controllable Operational Expenses resulted in solid savings across the board. These savings were most noticeable in cost of goods, wages, repairs and maintenance and other expenses. However, increased costs regarding utilities and the decrease in revenue overall meant that the Club finished in a similar position to last year, despite achieving such a positive result in reducing these costs.

Membership continues to grow and will clear the 20,000 mark before the end of the calendar year. There have already been some changes to member's promotions and there has been positive feedback thus far. A continued focus on increasing membership and improving the benefits to attract new members to the Club and to increase repeat visitation will be maintained throughout the 2019/20 financial year.

The Club proudly offers a free courtesy bus service and members are encouraged to use this regularly. The plan to advertise the Club on the bus is underway and should grab attention as it moves throughout the North Sydney area. The service also offers a free pick up with prior notice and only requires a call to the Club reception.

The Club's Investment Portfolio finished the year at \$3,507,853 with the yield increasing throughout the year to finish at 9.8% which is an improvement on the 2018 result of 7.5%. It was a tough year for the Australian share market with the harsh results from the Royal Commission in to the big four banks, US and China trade war, Brexit, state and federal elections and the decline in the Australian housing market. Further uncertainty clouds the share market for the immediate future with the above issues still outstanding and unlikely to be resolved soon.

Funds were utilised to upgrade aging equipment and to improve facilities, with the focus being to improve items that will ensure that the Club experiences an immediate return on investment. This strategy will continue as the equipment and the facilities continue to age.

The Events department continues to be a popular revenue stream for the Club and is perceived as a premium event venue in Sydney. The Club will continue to focus on improving this product by offering quality events on the northside of the harbour. Members are encouraged to utilise our fantastic event spaces at the Club as we offer a range of social and corporate packages. Management looks forward to offering the ever-popular Melbourne Cup and New Year's Eve events again this year. Tickets are available online and generally sell out very quickly so make sure that you don't miss out.

Tom Richardson OAM stepped down as President of the Club after 28 years. Management, staff and members would like to thank Tom for his tireless efforts over the years and for his guidance throughout. We are glad that Tom remains a regular at the Club and that he is still an active member of the Clubs Subbranch as Secretary.

Lukas Bendt has stepped into the role of President of the Club. Lukas has been on the Board for over 20 years and has served as Vice President for over 11 years. Management and staff look forward to working with Lukas and the Board as we steer the Club in a new direction.

The outlook for the Club remains positive as we continue to manage the business effectively. Continued review of all contracts, as well as reviews of all costs to the business will ensure that expenses remain in line with current industry standards. The Club is working with key suppliers to offer the best products at competitive prices as we remain the best value for money within the area.

Management plans to continue the improvements already made to the food and beverage offer, as well as improvements to equipment in the gaming area. Changes to the café have been positive with the Club offering more healthy options and focusing on staff training. Event sales remain a strong source of revenue for the Club, with plans to reinvest funds to ensure that this department continues to grow.

We look forward to seeing members and guests at the Club over the coming months, and hope that the improvements to the Clubs offer are enjoyed by all.

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

Andrew Crofts

Chief Executive Officer

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Financial Statements

For the Year Ended 30 June 2019

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

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Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Directors' Report For the Year Ended 30 June 2019

The directors present their report on Kirribilli Ex-Service Club Limited for the financial year ended 30 June 2019.

Directors

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

Names	Appointed/Resigned
Tom Richardson OAM	Resigned 31 May 2019
Luke Bendt	
Adrian Cannon	
Anna Coote	
Chris Cundy	
Damian Hay	
John Marsden	
Aldo Nicotra	Appointed 26 October 2018
Julian Robinson	Appointed 31 May 2019

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 Company secretary at the end of the financial year:

Andrew Crofts

Principal activities

The principal activity of Kirribilli Ex-Service Club Limited during the financial year was conducting the business of a registered licensed club.

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

Short Term Objectives

The Company's short term objectives are to:

- Target priority costs savings across all Club operational areas,
- Return the Club to Cash Positive trading results,
- Further develop and implement strategic plans to address increasing Utility and Rates costs,
- Drive improved margin outcomes and management analysis of cost of goods sold,
- Optimise rostering structures and cross training in order to reduce overall employment related costs,
- Expand both food and beverage offers with new products and upgraded weekly offers,
- Continue to upgrade facilities across the Club via detailed and staged Capital Expenditure programmes,
- Drive improved service delivery and overall presentation of the Club; and

Directors' Report

For the Year Ended 30 June 2019

Short Term Objectives (cont'd)

- Review all promotional concepts and benchmark costs to benefit.

Long Term Objectives

The Company's long term objectives are to:

- Achieve net profit trading outcomes within the next 2-3 years,
- Develop a clearer understanding of the Club's target market and adopt promotions and offers aligned to that understanding with greater patron engagement,
- Continue to position the Club as a market leader in Functions and Events; and
- Develop improved business analysis across all operational areas with relevant benchmarking.

Strategy for achieving the objectives

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

- Creation in July 2017 of a new Chief Operating Officer role with broad responsibility across all operations,
- Line by line review and identification of all potential cost saving opportunities which commenced in July 2017,
- Improved and expanded reporting and analytical understanding of operations,
- Continuing upgrades to gaming installation and focus on player appeal and engagement; and
- Detailed analysis of 2016 Census data and existing Club membership demographics.

Investment Committee

The Committee is continuing to maintain its conservative and defensive portfolio allocation strategy for the immediate interim whilst global and domestic uncertainty continues to exist. Ongoing reviews of this approach will remain in place going forward.

Peak Investment Partners continue to provide advisory input to the Committee including portfolio related quarterly reporting along with domestic and global market analysis and ongoing communication of new investment opportunities for the committee to consider.

Information on directors

The names, qualifications and experience of each person who has been a director during the year and to the date of this report are:

Tom Richardson OAM

Qualifications

Years as Director

Special Responsibilities

President (resigned 31 May 2019)

Retired Facilities Manager, Ravenswood Girls School

26 years as President, 1 year as Vice President, 6 years as Director. Life Member for 18 years

Secretary, Kirribilli RSL Sub Branch

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Directors' Report For the Year Ended 30 June 2019

Information on directors (cont'd)

Luke Bendt

Qualifications
Years as Director
Experience

Vice President (appointed President 31 May 2019)

Security Consultant
Vice President for 11 years, Director for 10 years, appointed 2001
Managing Director, Executive Security Group Aust Pty Ltd

Adrian Cannon

Qualifications
Years as Director
Experience

Currently Senior Legal Counsel Fox Sports Australia Pty Ltd and Principal Solicitor at Cannon Lawyers. Admitted as a legal practitioner in 1999
Director for 1 year, appointed 28 February 2018
Over 30 years of experience as a professional musician in clubs and pubs in Australia

Anna Coote

Qualifications
Years as Director
Experience

BA, Ass Dip MRA, Grad Dip Education, Masters Health Planning, Company Director
Director for 3 years
Semi-retired Consultant Health Information Manager. Founder of Australian clinical coding company Prime Care Pty Ltd and currently Managing Director of Clinical Coding Education Pty Ltd specialising in clinical coding education. Has a particular interest in the services provided to members at the Club

Chris Cundy

Qualifications
Years as Director
Experience

Human Resources/Change Management
Director for 6 years, appointed 2013
AGL Energy Limited, Westpac Bank General Manager, GFG Alliance

Damian Hay

Qualifications
Years as Director
Experience

Chief Handicapper - Racing NSW
Director for 1 year, appointed 28 February 2018
Over 30 years in the Horse Racing Industry

John Marsden

Qualifications
Years as Director
Experience

Retired Pilot
Director for 4 years
Qantas Airlines pilot for 18 years, 21 years service in the Australian Army rising to the rank of Major, also a founding Director of the Bendigo Bank Pyrmont branch

Aldo Nicotra

Qualifications
Years as Director
Experience

Appointed 26 October 2018
Bachelor of Commerce first class honours, Bachelor of law
1st year as Director
Lawyer for over 30 years

Julian Robinson

Qualifications
Years as Director
Experience

Appointed 31 May 2019
Company director – Risk management consultancy. Diploma Security and Risk Management, Diploma Management, Diploma Government Investigations.
1st year as Director. Perennial (Life) member for 5 years
Risk Management Consultant 8 years. Vice President RSL NSW - Kirribilli sub-branch 2 years. President RSL NSW - Kirribilli sub-branch (Appointed in February 2019). 12 Years Department of Defence

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Directors' Report For the Year Ended 30 June 2019

Information on directors (cont'd)

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

Meetings of directors

During the financial year, 12 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Tom Richardson OAM	11	11
Luke Bendt	12	11
Adrian Cannon	12	10
Anna Coote	12	11
Chris Cundy	3	2
Damian Hay	12	12
John Marsden	12	11
Aldo Nicotra	9	6
Julian Robinson	1	1

Indemnification and insurance of officers and auditors

The Club has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Club or of a related body corporate:

- (i) Indemnified or made any relevant agreement for indemnifying against a liability including costs and expenses in successfully defending legal proceedings; or
- (ii) Paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

With the exception of the payment of a premium to insure the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Club, other than wilful breach of duty in relation to the Club. The amount of the premium was \$1,727 (2018: \$2,121).

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:

Luke Bendt

Director:

John Marsden

Dated: 30 September 2019

Kirribilli Ex-Service Club Limited
ABN: 16 000 057 250

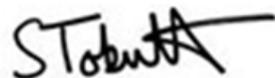
Auditors Independence Declaration under Section 307C of the Corporations Act 2001 To the Directors of Kirribilli Ex-Service Club Limited

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



SCOTT TOBUTT
PARTNER

30 SEPTEMBER 2019
SYDNEY, NSW

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

**Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2019**

		2019	2018
	Note	\$	\$
Revenue	2	8,068,547	8,495,248
Other income	2	314,770	304,681
Cost of sales	3	(2,186,501)	(2,358,802)
Employee benefits expense	3	(3,024,980)	(3,206,648)
Staff amenities		(40,277)	(42,358)
Entertainment		(90,432)	(89,366)
Repairs and maintenance		(148,533)	(185,840)
Utilities		(611,343)	(478,681)
Insurance		(43,596)	(34,976)
Membership expenses		(203,423)	(225,206)
Accounting and legal expenses		(45,660)	(47,092)
Gaming		(174,178)	(277,366)
Cleaning and security		(282,796)	(300,736)
Marketing		(138,773)	(150,141)
Parking levy tax		(63,537)	(62,236)
Bridge and bingo		(82,632)	(77,221)
Rental expense		(1,142,204)	(1,120,127)
Other expenses		(115,822)	(139,058)
Loss before income tax, depreciation and interest		(11,370)	4,075
Finance charges	3	(85,285)	(87,796)
Depreciation, amortisation and impairments	3	(546,571)	(539,121)
Loss before income tax		(643,226)	(622,842)
Income tax expense	4	-	-
Loss for the year		(643,226)	(622,842)
Other comprehensive income		-	-
Total comprehensive loss for the year		(643,226)	(622,842)

The accompanying notes form part of these financial statements.

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Statement of Financial Position**As At 30 June 2019**

	Note	2019	2018
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	126,245	100,039
Trade and other receivables	6	466,743	467,180
Inventories	7	56,525	67,403
Other financial assets	8	3,507,854	3,653,591
Other assets	10	150,305	150,305
TOTAL CURRENT ASSETS		4,307,672	4,438,518
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,245,231	1,607,387
Other assets	10	651,322	801,627
TOTAL NON-CURRENT ASSETS		1,896,553	2,409,014
TOTAL ASSETS		6,204,225	6,847,532
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	1,198,659	1,131,225
Borrowings	12	68,235	95,049
Short-term provisions	13	174,977	143,483
TOTAL CURRENT LIABILITIES		1,441,871	1,369,757
NON-CURRENT LIABILITIES			
Borrowings	12	344,237	397,226
Long-term provisions	13	129,983	149,189
TOTAL NON-CURRENT LIABILITIES		474,220	546,415
TOTAL LIABILITIES		1,916,091	1,916,172
NET ASSETS		4,288,134	4,931,360
EQUITY			
Retained earnings		4,288,134	4,931,360
TOTAL EQUITY		4,288,134	4,931,360

The accompanying notes form part of these financial statements.

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Statement of Changes in Equity
For the Year Ended 30 June 2019

	Retained Earnings	Total
	\$	\$
Balance at 1 July 2018	4,931,360	4,931,360
Loss for the year	(643,226)	(643,226)
Balance at 30 June 2019	4,288,134	4,288,134

	Retained Earnings	Total
	\$	\$
Balance at 1 July 2017	5,554,202	5,554,202
Loss for the year	(622,842)	(622,842)
Balance at 30 June 2018	4,931,360	4,931,360

The accompanying notes form part of these financial statements.

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

**Statement of Cash Flows
For the Year Ended 30 June 2019**

	2019	2018
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	9,093,611	9,615,832
Payments to suppliers and employees	(9,125,633)	(9,707,628)
Interest received	6,079	16,244
Finance costs	(90,432)	(89,366)
Net cash used in operating activities	<u>(116,375)</u>	<u>(164,918)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(44,071)	(396,020)
Dividends received	120,718	130,016
Net cash provided by / (used in) investing activities	<u>76,647</u>	<u>(266,004)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Proceeds / (Repayment) of borrowings	65,934	416,297
Net cash provided by financing activities	<u>65,934</u>	<u>416,297</u>
Net increase/(decrease) in cash and cash equivalents held	26,206	(14,625)
Cash and cash equivalents at beginning of year	100,039	114,664
Cash and cash equivalents at end of financial year	5 <u>126,245</u>	<u>100,039</u>

The accompanying notes form part of these financial statements.

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

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

The financial statements are for Kirribilli Ex-Service Club Limited as a not-for-profit individual entity, incorporated and domiciled in Australia. Kirribilli Ex-Service Club Limited is a company limited by guarantee.

Note 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 recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Sale of goods

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

Revenue from sale of goods primarily includes revenue from catering and beverages.

Rendering of services

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

Revenue from services primarily includes entertainment, membership and gaming revenue being gaming machine clearances, net of payouts.

Interest revenue

Interest is recognised using the effective interest method.

Notes to the Financial Statements

For the Year Ended 30 June 2019

Note 1 Summary of Significant Accounting Policies (cont'd)

(b) Revenue and other income (cont'd)

Rental income

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.

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

(c) 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 payable 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.

(d) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Non-member income of the association is only assessable for tax, as member income is excluded under the principle of mutuality.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

Notes to the Financial Statements

For the Year Ended 30 June 2019

Note 1 Summary of Significant Accounting Policies (cont'd)

(g) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

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

Fixed asset class	Depreciation rate
Plant and Equipment	5% - 25%

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.

(h) Financial instruments

Financial instruments are recognised initially on the date that the Company 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.

Classification

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

- amortised cost

Financial assets are not reclassified subsequent to their initial recognition unless the Company 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 Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

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

Note 1 Summary of Significant Accounting Policies (cont'd)

(h) Financial instruments (cont'd)

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 the following assets:

- 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 Company 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 Company's historical experience and informed credit assessment and including forward looking information.

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

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

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

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

Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non-payment of the receivable and contract asset 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 Company 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 Company 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 Company comprise trade payables, bank and other loans and finance lease liabilities.

Notes to the Financial Statements

For the Year Ended 30 June 2019

Note 1 Summary of Significant Accounting Policies (cont'd)

(i) Trade and other payables

Trade and other payables represent the liabilities 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.

(j) Employee benefits

Provision is made for the Company'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 wholly 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 one year 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. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. 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.

Employee benefits are presented as current liabilities in the statement of financial position if the Company 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.

(k) 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 Company 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 the period.

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. In accordance with AASB 117, the Company has deferred and amortised the loss from the sale and leaseback transaction over the term of the lease, as the consideration on sale was compensated by future lease payments at below market price.

(l) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

(m) Critical accounting estimates and judgements

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 - impairment of property, plant and equipment

The Club assesses impairment at the end of each reporting period by evaluating conditions specific to the Club that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Notes to the Financial Statements

For the Year Ended 30 June 2019

Note 1 Summary of Significant Accounting Policies (cont'd)

(n) New Accounting Standards and Interpretations

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

AASB 15: revenue from Contracts with Customers; AASB 1058: Income for Not-for-profit (NFP) entities; and AASB 16: Leases are 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 AASB 104 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.

AASB 16 introduces a single lessee accounting model that eliminates the requirements for leases to be classified as operating or finance leases.

AASB 16 will cause the majority of leases of an entity to be brought onto the statement of financial position.

There are limited exceptions relating to short-term leases and low value assets which may remain off-balance sheet. the calculation of the lease liability will take into account appropriate discount rates, assumptions about lease term and increases in lease payments. A corresponding right to use asset will be recognised which will be amortised over the term of the lease. Rent expense will no longer be shown, the profit and loss impact of the leases will be through amortisation and interest charges.

The Company anticipates that the adoption of AASB 16 will have a material impact on the financial statements. At 30 June 2019 the Company has operating lease commitments of \$5.647m 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.

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

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

	2019	2018
	\$	\$
Note 2 Revenue and Other Income		
Sales revenue		
- Gaming	1,315,247	1,430,673
- Beverage	3,026,469	3,103,679
- Function catering	1,705,046	1,798,724
- Function ancillaries	138,505	180,146
- Venue hire and catering rent	1,013,160	991,693
- Subscription income	142,256	163,035
- Car parking	249,517	258,873
- Other revenue	478,347	568,425
	<u>8,068,547</u>	<u>8,495,248</u>
Other Income		
- Gain on investment	187,973	158,421
- Interest revenue	6,079	16,244
- Dividend revenue	120,718	130,016
	<u>314,770</u>	<u>304,681</u>

Note 3 Result for the Year

The Result for the year includes the following specific expenses:

Cost of sales	2,186,501	2,358,802
Depreciation, amortisation and impairments	546,571	539,121
Finance charges	85,285	87,796
Employee benefits expense	3,024,980	3,206,648

Note 4 Income Tax Expense

(a) Reconciliation of income tax to accounting loss:

The Income Tax Assessment Act 1936 (Amended) provides that under the concept of mutuality clubs are only liable for income tax on income derived from non-members and from outside entities.

Prima facie tax payable on loss from ordinary activities before income tax at 27.5%
(2018: 27.5%)

	(176,887)	(171,282)
Add:		
Tax effect of:		
- net income and expenditure items relating to member activity	182,308	204,822
- tax effect of timing differences not recognised	(63,124)	(56,277)
- tax losses not brought to account	57,703	22,737
Income tax expense	<u>-</u>	<u>-</u>

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

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

	2019	2018
	\$	\$
Note 4 Income Tax Expense (cont'd)		
(b) Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following:		
Tax losses at 27.5% (2018: 27.5%)	1,796,805	1,739,102
Capital losses at 27.5% (2018: 27.5%)	1,897,576	1,982,244
Temporary differences at 27.5% (2018: 27.5%)	63,124	61,393
	<u>3,757,505</u>	<u>3,782,739</u>
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 Kirribilli Ex-Service Club Limited can utilise the benefits therein.		
Note 5 Cash and cash equivalents		
Cash on hand	67,860	74,354
Bank balances	58,385	25,685
	<u>126,245</u>	<u>100,039</u>
Note 6 Trade and other receivables		
CURRENT		
Trade receivables	47,632	21,454
Deposits	409,123	423,613
Other receivables	9,988	22,113
	<u>466,743</u>	<u>467,180</u>
Note 7 Inventories		
CURRENT		
At cost:		
Stock on hand	56,525	67,403
	<u>56,525</u>	<u>67,403</u>
Note 8 Other financial assets		
CURRENT		
Investments at fair value through profit and loss		
Australian equities	1,573,980	1,366,347
International equities	757,272	697,500
Domestic listed property	240,537	208,924
Fixed interest	742,938	851,291
Cash deposits	181,452	503,085
Other investments	11,675	26,444
	<u>3,507,854</u>	<u>3,653,591</u>

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

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

	2019	2018
	\$	\$
Note 9 Property, plant and equipment		
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	6,605,517	6,891,894
Accumulated depreciation	(5,360,286)	(5,284,507)
Total property, plant and equipment	1,245,231	1,607,387

(a) 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:

	Plant and Equipment
	\$
Balance at the beginning of year	1,607,387
Additions	44,071
Disposals	(9,961)
Depreciation expense	(396,266)
Balance at 30 June 2019	1,245,231

Note 10 Other assets

CURRENT		
Deferred lease incentive	150,305	150,305
NON-CURRENT		
Deferred lease incentive	651,322	801,627

As part of the sale and leaseback of the Lavender Bay Property Asset on 19th September 2014 for \$15,500,000, the Club received future concessional rental terms materially below market accepted yields.

As the consideration on sale was compensated by future lease payments at below market price, the loss on the sale of the property has been deferred and amortised in proportion to the lease payments over the 10 year lease term.

Note 11 Trade and other payables

CURRENT		
Trade payables	689,761	543,704
Sundry payables and accrued expenses	98,168	158,232
Other payables	410,730	429,289
	1,198,659	1,131,225

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

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

	2019	2018
	\$	\$
Note 12 Borrowings		
CURRENT		
Unsecured liabilities:		
Bank overdraft	5,033	6,573
Secured liabilities:		
Finance lease obligation	63,202	88,476
	<u>68,235</u>	<u>95,049</u>
NON-CURRENT		
Unsecured liabilities:		
Other loans	300,000	300,000
Secured liabilities:		
Finance lease obligation	44,237	97,226
	<u>344,237</u>	<u>397,226</u>
Lease liabilities are secured by the underlying leased assets.		
Note 13 Provisions		
CURRENT		
Employee entitlements- annual leave	174,977	143,483
NON-CURRENT		
Employee entitlements- long service leave	129,983	149,189
Note 14 Leasing Commitments		
(a) Finance Leases		
Minimum lease payments:		
- not later than one year	65,354	92,389
- between one year and five years	45,226	99,304
Minimum lease payments	110,580	191,693
Less: finance changes	(3,141)	(5,991)
Present value of minimum lease payments	107,439	185,702
(b) Operating Leases		
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	1,085,000	1,085,000
- between one year and five years	4,340,000	4,340,000
- later than five years	222,241	1,391,328
	<u>5,647,241</u>	<u>6,816,328</u>

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Notes to the Financial Statements

For the Year Ended 30 June 2019

2019	2018
\$	\$

Note 15 Financial Risk Management

The main risks Kirribilli Ex-Service Club Limited is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk. The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, bank loans and overdrafts, bills 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:

Financial Assets

Cash and cash equivalents	126,245	100,039
Trade and other receivables	466,743	467,180
Financial assets at fair value through profit and loss:		
- investment portfolio	3,507,854	3,653,591
Total financial assets	4,100,842	4,220,810

Financial Liabilities

Financial liabilities at amortised cost		
Trade and other payables	1,198,659	1,131,225
- Borrowings	412,472	492,275
Total financial liabilities	1,611,131	1,623,500

Note 16 Contingencies

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

Note 17 Related Parties

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

Note 18 Key Management Personnel Disclosures

The total remuneration paid to key management personnel of the Company is \$ 264,328 (2018: \$ 266,461).

Note 19 Events Occurring After the Reporting Date

The financial report was authorised for issue on 30 September 2019 by the Board of Directors.

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

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Notes to the Financial Statements

For the Year Ended 30 June 2019

Note 20 Members' Guarantee

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$ 2 each towards meeting any outstandings and obligations of the Company. At 30 June 2019 the number of members was 18,415 (2018: 19,003).

Note 21 Company Details

The registered office and principal place of business of the company is:

Kirribilli Ex-Service Club Limited
11 Harbour View Crescent
LAVENDER BAY NSW 2061

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 6 to 21, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian 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 Company.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director: 
Luke Bendt

Director: 
John Marsden

Dated: 30 September 2019

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF KIRRIBILLI EX-SERVICE CLUB LIMITED

Report on the Audit of the Financial Report Opinion

We have audited the financial report of Kirribilli Ex-Service Club Limited (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:

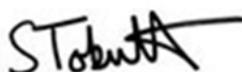
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a 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



SCOTT TOBUTT
PARTNER

30 SEPTEMBER 2019
SYDNEY, NSW