



KIRRIBILLI CLUB

72nd ANNUAL REPORT 2020



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 – 2020 ANNUAL GENERAL MEETING

The Seventy First Annual General Meeting of the Kirribilli Club will be held at 11.00am on Sunday 8th November 2020 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 2020 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. Election of Directors
3. To approve Ordinary Resolutions
4. An updated business review on the 2020 results and related issues
5. Proposed appointment of PKF Chartered Accountants as Auditors for the 2021 Financial Year
6. 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 2020

On behalf of the Board of Directors of the Kirribilli Ex-Service Club, I have pleasure in presenting to members with the 72nd Annual Report and Financial Statements for the year ended 30th June 2020. This summary will be put forward at the Annual General Meeting, which will be held on Sunday 8th November 2020 commencing at 11.00am.

In May 2019 I was appointed as Club President, and we are, as a board, working very closely with our CEO Andrew Crofts.

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, fine dining and a corporate membership model.

We have negotiated an increase in rent with Dedes Restaurant and are currently in negotiations with NSW Harness & Racing and are reviewing our current Club Lease Agreement

We have faced a very tough business year in 2020 due to the Covid 19 closures. However, moving forward, we stay focused and positive we will recover and enjoy the club and its full potential.

The next notice calling for nominations for Board of Directors positions will not be due until the final quarter of 2022 for the next period, which is 2023-2025 as there were no nominations outside the current board forthcoming.

With the resignation of Adrian Cannon and Aldo Nicotra from the board we saw new additions through the year on a vacancy option. Paul Pannozzo in February 2020 and John Kirton join the board in April.

The Club's trading for the year ending 30th June, our profit before income tax, depreciation and interest was \$840,539 which tracks a decline in revenue of \$289,832 (25%) due to the shutdown as a result of the Covid19 virus. This result is consistent with the period that we were closed.

The Club's membership finished the year at 16,213 and has increased to 17,867 as at the end of September 2020.

As the Chairman of the Club it is my proud undertaking to continue the support for our veteran community and continue to do this through our own RSL Sub-Branch.

We will continue the support of the ex-service 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.

New directors will have completed the NSW Club Directors Institute Training for finances and the complete role as required by a club director.

The Club is continuously developing the advanced use of electronic technology in the delivery of website information, email and social media for the distribution of promotional and communication mail outs.

I further encourage members who have an e-mail address of which we don't have on record to advise our reception staff so that we can update your details and reduce our carbon footprint.

I would also 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 in such an unpredictable time we face.

I also thank Anthony and Helen Costanza 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 imminent return to trading normality and the exciting future that will be enjoyed by the community and our members at large.

Many thanks
Lukas Bendt
Club President
Kirribilli Club

CEO'S REPORT 2020

In a year that was looking to be one of the best performing years in a long time for the Club, we experienced some life changing events that will likely have a lasting effect on the Club's financial position for the coming years.

The Club implemented the AASB16 Lease standard in the current year. The new accounting standard determines the way in which the lease is calculated within the accounts. This is called the lease liability and is designed to account for the future liability of a lease term as an asset. For the purposes of this report I will report the financials under the old standard and the new standard to alleviate confusion. In future all reports will be displayed under the new standard only.

The Club finished the year with a loss of \$749,171 under the new standard. Considering that the Club was closed for the last quarter of the year, revenue and variable costs are consistent and reflect this within the report. Under the old standard the Club finished the year with a \$903,421 loss. After depreciation, amortisation and impairments the Club finished the year with a \$303,414 cash loss. This is disappointing considering the headway made over the past three years to reduce the cash losses the business had sustained. The first half of the 2019/20 financial year was on track to finish the year with a zero or small cash profit.

The share market experienced a fair amount of volatility during the 2019/20 financial year. The effects of the Royal Commission into the banking sector resulted in bank shares falling and remaining at much lower values as market confidence remains low. This flowed into the January bushfires and then the Covid19 pandemic which resulted in a tough year for the portfolio overall.

There were upgrades to vital equipment that are necessary to the Clubs operation that were completed throughout the year including the server hardware and software, audio equipment (Grand Ballroom), security system including new cameras and a completely new internet based phone system due to the end of use of the copper lines in the North Sydney area. These upgrades will ensure that the business can continue running efficiently and ensure that our digital information is kept secure.

Leading up to the end of 2019 we introduced many offers that saw the club's popularity increase within the local community and amongst our members. For the first time in the club's history we gave away a car to one of our lucky members. We held Wine, Whisky and Beer dinners with an astoundingly positive response. The introduction of the \$15 meals as an addition to the ever popular 2-for-1 deals increased patronage in the club throughout the colder months. We also reintroduced live music on Sundays with many people from the local area coming back into the club as we continue to revamp our offer. The first two quarters of the year were looking to finish in a strong position with functions running at peak levels as well as beverage and the café running at an all-time high.

The new year took a new tone as we endured the effects of the January 2020 bushfires. Many people and businesses were astounded at the ferocity and size of the fires that ripped through NSW. As the air was filled with thick smoke, many people were forced indoors as they tried to avoid inhaling the cloud that even reached New Zealand at one point. The Club experienced a reduction in trade throughout January as a result which many people believed would be a short dip in revenue as things normalised after the fires subsided.

Unfortunately, this was not be the case as the world frantically tried to manage the COVID-19 pandemic that unfolded in January 2020. The first effects were felt economically here in Australia as the share market became wary of the growing global threat. Many countries believing that the threat was contained within China, life went on in Australia; However, the rapid change in circumstances from January to March 2020, as the COVID-19 virus spread, resulting in the closure of the borders and hospitality venues nationwide.

Due to the advice from the Australian and NSW Governments the Club was closed on the 23rd March 2020 and remained closed to the 1st July 2020 (100 days). In the weeks before the closure revenue steadily decreased finishing at a 65% decrease overall. The closure led to many employees being stood down with the lucky ones being eligible for the Governments Jobkeeper stimulus, however many were not, and all employees were faced with financial uncertainty.

During the shutdown we realised that we were in a position to help many of our members who were unable to access food and supplies by offering our Essentials Packs. Many of our members were unable to leave their homes as the major supermarkets had stopped offering home delivery as they were unable to keep up with demand. As a business we were able to access these items and quickly changed our offer to allow our members who were considered high risk, access to food and essentials. This was a great success and a real feel good exercise for our staff as it helped refocus from the Covid19 issues and a reminded us of why we do what we do, that is to help and make people feel good.

The Club reopened on 1 July 2020 with the expectation that trade would be similar to the pre COVID-19 levels, that being a 65% decrease in revenue as a year on year comparison. As many venues opened on the 1 June 2020 we were able to evaluate their experience and make the appropriate preparations so that we could maximise our earning capacity as well as minimise any losses or remain closed if that was required. This was a solid strategy and minimised the risk of opening blindly and hoping that things would go well.

The way forward looks to be a slow and steady battle as the business is subject to government policy changes and depends upon an improvement in consumer confidence. The Club's reliance on function revenue will be the key indicator on when the business will return to the success experienced in the first half of the 2019/20 financial year sooner rather than later; However, there is an expected lag time as functions are generally booked months in advance. The easing of restrictions to allow more people into the venue will play a key part in rebuilding beverage and gaming revenue as members start to revise new habits and decide to patron the Club more regularly.

Management and the Board will continue to monitor and adapt the strategies required to keep expenditure at an efficient level whilst the business recovers. Something that was controlled well during the shutdown considering the many unprecedented occurrences. The Club will need to rebuild from the damage caused by COVID-19 and there may be opportunities to steer a new course in terms of product offer and the services we provide. I am certain that these opportunities will present themselves when the time is right; however, we will need to ride this rollercoaster to the end to see where it finishes.

It would be remiss of me not to thank the Board for their support throughout this year. Their dedication to the Club is unwavering and the hard work they have put in thus far is to be commended. Further to that, the staff of the Club have been the rock of this community. Many of our members rely on the Club for a plethora of reasons. Our team continues to offer the best service to our members and the community, simply because they care. I am privileged to be a part of this team and I am proud of the grit they have displayed so far.

I look forward to seeing you in the Club in the coming months. Just by coming in, sharing a meal or stopping by for a drink you are helping the many community organisations that we support, as well as the staff that you have all grown to know.

Take care, stay safe and see you soon.

Andrew Crofts
Club CEO
Kirribilli Club

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Financial Statements

For the Year Ended 30 June 2020

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 2020

The directors present their report on Kirribilli Ex-Service Club Limited for the financial year ended 30 June 2020.

Directors

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

Names	Appointed/Resigned
Lukas Bendt	
Paul Pannozzo	Appointed 27 February 2020
Adrian Cannon	Resigned 31 January 2020
Anna Coote	
Damian Hay	
John Marsden	
Aldo Nicotra	Resigned 26 March 2020
Julian Robinson	
John Kirton	Appointed 30 April 2020

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.

Impact of Covid-19 on continuing operations

Covid-19 has impacted the revenue significantly. The Club remained closed from 23 March 2020 to 30 June 2020 due to restrictions on numbers of gatherings placed by the government. Subsequent to the re-opening of the Club on 1 July 2020, it is currently operating at approximately 35% of previous revenue, most of which is offset by the fixed expenses of the Club. The Club continues to receive the government Job Keeper stimulus and therefore wages have been maintained at a reasonable range. The Club is also focusing on reducing variable expenses where possible. The loss of Functions revenue due to Covid-19 is expected to have a long-lasting effect on the Club's revenue, as most functions are booked months in advance. Revenue from beverage is restricted by total numbers allowed within the venue. Gaming revenue had been trending downwards even prior to Covid-19, and it is expected that it may continue decreasing in the near future due to the imminent increase in unemployment and stagnant wage growth. The increasing volatility in the share market is further expected to impact future revenue as we endure the reduction in consumer confidence in the hope that this will reignite sooner rather than later.

Directors' Report

For the Year Ended 30 June 2020

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,
- Drive improved service delivery and overall presentation of the Club; and
- Focus on attracting younger demographic to the Club.

Long Term Objectives

The Company's long-term objectives are to:

- Rebuilding the Club's revenue in Functions and Event; and,
- Utilize the gaming space in an efficient way.

Strategy for achieving the objectives

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

- Development of Graphic Design and Marketing role to create, deliver and respond to customer trends and future market opportunities,
- Improved in-house training and development to identify key areas of improvement within the business and targeted diversification of roles and responsibilities,
- Further development of the Chief Operating Officer role to expand on operational efficiencies and the oversight of marketing material and product development,
- Continued revision of all costs associated to running the business and re investing funds into key money generating areas,
- Analysis of the local demographic and membership base to align product relevancy to ensure future growth to the Clubs food, beverage and gaming revenue streams.

Directors' Report

For the Year Ended 30 June 2020

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:

Lukas Bendt

Qualifications

Years as Director

Experience

Special Responsibilities

President

Security Consultant

Vice President for 11 years, Appointed President 31 May 2019, Director for 11 years, appointed 2001

Managing Director, Executive Security Group Aust Pty Ltd

Secretary, Kirribilli RSL Sub Branch

Paul Pannozzo

Appointed 27 February 2020

Qualifications

Years as Director

Experience

Degree in Financial Services – managing mortgage portfolio of \$450 million

Director for 1 year

Owner and operator of National fuel supply chain selling premium Unleaded and Diesel fuel. Current turnover circa \$75 million p.a. Previously, owned and operated 11 restaurants throughout ACT & Regional NSW, employed 320 personnel

Adrian Cannon

Qualifications

Years as Director

Experience

Resigned 31 January 2020

Currently Senior Legal Counsel Fox Sports Australia Pty Ltd and Principal Solicitor at Cannon Lawyers. Admitted as a legal practitioner in 1999

Director for 2 years, 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 4 years

Semi-retired Consulting Health Information Manager, Lecturer in Health Information Management at Cumberland College, founder of Australian Clinical Coding Company Prime Care P/L, Director of Gemini Diesel P/L

Damian Hay

Qualifications

Years as Director

Experience

Chief Handicapper - Racing NSW

Director for 2 years, appointed 28 February 2018

Over 30 years in the Horse Racing Industry

Directors' Report

For the Year Ended 30 June 2020

Information on directors (cont'd)

John Marsden

Qualifications Retired Pilot
Years as Director Director for 5 years
Experience 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

Resigned 26 March 2020
Qualifications Bachelor of Commerce first class honours, Bachelor of law
Years as Director Director for 2 years
Experience Lawyer for over 30 years

Julian Robinson

Qualifications Company director – Risk management consultancy. Diploma Security and Risk Management, Diploma Management, Diploma Government Investigations.
Experience Director for 2 years. Perennial (Life) member for 6 years

John Kirton

Appointed 30 April 2020
Qualifications Company director
Experience Director for 1 year, Perennial (Life) member since July 2010, Company Director for 7 years, RAAF Officer (Pilot) for 17 years

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
Lukas Bendt	12	12
Paul Pannozzo	5	5
Adrian Cannon	7	4
Anna Coote	12	10
Damian Hay	12	12
John Marsden	12	12
Aldo Nicotra	8	6
Julian Robinson	12	9
John Kirton	2	2

Directors' Report

For the Year Ended 30 June 2020

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

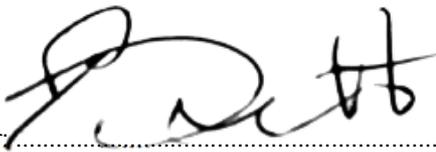
(ii) Paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

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 \$501 (2019: \$1,727).

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 2020 has been received and can be found on page 6 of the financial report.

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

Director: .....

Director: .....

Dated: 22 October 2020

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

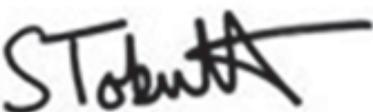
**Auditors Independence Declaration under Section 307C of the Corporations Act 2001
To the Directors of Kirribilli Ex-Service Club Limited**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, 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

22 OCTOBER 2020
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 2020**

		2020	2019 Restated
	Note	\$	\$
Revenue	4	6,159,882	8,068,547
Other income	4	516,364	314,307
Cost of sales	5	(1,663,838)	(2,186,501)
Employee benefits expense	5	(2,584,783)	(3,024,980)
Staff amenities		(24,137)	(40,277)
Entertainment		(80,047)	(90,432)
Repairs and maintenance		(139,973)	(148,533)
Utilities		(453,037)	(611,343)
Insurance		(45,487)	(43,596)
Membership expenses		(126,161)	(203,423)
Accounting and legal expenses		(52,287)	(45,660)
Gaming		(114,357)	(174,178)
Cleaning and security		(219,206)	(282,796)
Marketing		(121,441)	(138,773)
Parking levy tax		(64,839)	(63,537)
Bridge and bingo		(61,965)	(82,632)
Other expenses		(84,149)	(115,822)
Profit/ (Loss) before income tax, depreciation and interest		840,539	1,130,371
Finance charges	5	(444,341)	(489,687)
Depreciation, amortisation and impairments	5	(1,145,369)	(1,161,748)
Loss before income tax		(749,171)	(521,064)
Income tax expense	6	-	-
Loss for the year		(749,171)	(521,064)
Other comprehensive income		-	-
Total comprehensive loss for the year		(749,171)	(521,064)

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 2020**

	2020	2019 Restated
Note	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	7 254,592	126,245
Trade and other receivables	8 502,121	466,743
Inventories	9 47,085	56,525
Other financial assets	10 2,369,032	3,507,854
TOTAL CURRENT ASSETS	<u>3,172,830</u>	<u>4,157,367</u>
NON-CURRENT ASSETS		
Property, plant and equipment	11 1,096,873	1,245,231
Right-of-use assets	12 7,144,501	7,909,983
TOTAL NON-CURRENT ASSETS	<u>8,241,374</u>	<u>9,155,214</u>
TOTAL ASSETS	<u>11,414,204</u>	<u>13,312,581</u>
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	13 819,752	1,198,659
Lease liabilities	16 837,991	851,904
Short-term provisions	15 270,848	174,977
TOTAL CURRENT LIABILITIES	<u>1,928,591</u>	<u>2,225,540</u>
NON-CURRENT LIABILITIES		
Other financial liabilities	14 300,000	300,000
Lease liabilities	16 8,326,355	9,121,071
Long-term provisions	15 72,442	129,983
TOTAL NON-CURRENT LIABILITIES	<u>8,698,797</u>	<u>9,551,054</u>
TOTAL LIABILITIES	<u>10,627,388</u>	<u>11,776,594</u>
NET ASSETS	<u>786,816</u>	<u>1,535,987</u>
EQUITY		
Retained earnings	<u>786,816</u>	<u>1,535,987</u>
TOTAL EQUITY	<u>786,816</u>	<u>1,535,987</u>

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 2020

	Retained Earnings	Total
Note	\$	\$
Balance at 1 July 2019	1,535,987	1,535,987
Loss for the year	(749,171)	(749,171)
Balance at 30 June 2020	786,816	786,816

	Retained Earnings	Total
	\$	\$
Balance at 1 July 2018	4,931,360	4,931,360
Adjustment to opening retained earnings due to impact of AASB16	2 (2,874,309)	(2,874,309)
Re-stated loss for the year	(521,064)	(521,064)
Balance at 30 June 2019	1,535,987	1,535,987

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 2020

	2020	2019 Restated
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	6,898,705	9,093,610
Payments to suppliers and employees	(6,793,999)	(9,130,779)
Interest received	2,654	6,079
Finance costs	(444,342)	(85,285)
Net cash used in operating activities	(336,982)	(116,375)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(231,529)	(44,071)
Proceeds from sale of investments	1,138,822	145,737
Dividends received	105,680	120,718
Net cash provided by investing activities	1,012,973	222,384
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Proceeds / (Repayment) of borrowings	(547,644)	(79,803)
Net cash (used in)/ provided by financing activities	(547,644)	(79,803)
Net increase in cash and cash equivalents held	128,347	26,206
Cash and cash equivalents at beginning of year	126,245	100,039
Cash and cash equivalents at end of financial year	7 254,592	126,245

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 2020

The financial report are for Kirribilli Ex-Service Club Limited as a non-for-profit individual entity, incorporated and domiciled in Australia. Kirribilli Ex-Service Club Limited is a Company limited by guarantee.

The financial report was authorised for issue by the Directors on 22 October 2020.

Note 1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the 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.

Note 2 Change in Accounting Policy

Leases - Adoption of AASB 16

The Company has applied AASB 16 using the retrospective approach and all periods are presented using the same lease accounting policies.

Impact of adoption of AASB 16

The impact of adopting AASB 16 is described below:

The Company has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117 *Leases* where the Company is the lessee.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any loss on sale and leaseback transaction, previously recognised as deferred assets by the Company.

The lease liabilities are measured at the present value of the remaining lease payments. The Company's incremental borrowing rate as of 1 July 2019 was used to discount the lease payments.

Leases had been applied since the commencement date, but discounted using the Company's incremental borrowing rate per lease term as at 1 July 2019.

AASB 16 includes practical expedients which can be used on transition. Therefore, the Company has not re-assessed contracts which had previously been assessed as not containing leases under AASB 117 on transition to AASB 16.

Revenue from Contracts with Customers - Adoption of AASB 15

The Company has adopted AASB 15 *Revenue from Contracts* with Customers for the first time in the current year with a date of initial application of 1 July 2019.

There were no material impacts of the adoption of the new standard to the Company.

Notes to the Financial Statements

For the Year Ended 30 June 2020

Note 3 Summary of Significant Accounting Policies

(a) Revenue and other income

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company:

1. Identifies the contract with a customer;
2. Identifies the performance obligations in the contract;
3. Determines the transaction price which takes into account estimates of variable consideration and the time value of money;
4. Allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
5. Recognises the revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds and any contingent events. Such estimates are determined using the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

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.

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.

Notes to the Financial Statements

For the Year Ended 30 June 2020

Note 3 Summary of Significant Accounting Policies (cont'd)

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

Government grants

Government grants is recognised when the Club has met the eligibility criteria to keep the funds.

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

(b) 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.

(c) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (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 laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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.

(d) 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.

Notes to the Financial Statements

For the Year Ended 30 June 2020

Note 3 Summary of Significant Accounting Policies (cont'd)

(e) 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.

(f) 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%
Right-of-use assets	6.67%

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.

(g) 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.

Notes to the Financial Statements

For the Year Ended 30 June 2020

Note 3 Summary of Significant Accounting Policies (cont'd)

(g) Financial instruments (cont'd)

Financial assets (cont'd)

Classification

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

- amortised cost; and
- fair value through profit or loss - FVTPL.

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.

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.

Financial assets through profit or loss

All financial assets not held under amortised cost method are measured at FVTPL.

Net gains or losses, including any interest or dividend income are recognised in profit or loss.

The Company's financial assets measured at FVTPL comprise of the investment portfolio managed by Peak Investment Partners in the statement of financial position.

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

Notes to the Financial Statements

For the Year Ended 30 June 2020

Note 3 Summary of Significant Accounting Policies (cont'd)

(g) Financial instruments (cont'd)

Financial assets (cont'd)

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.

Notes to the Financial Statements

For the Year Ended 30 June 2020

Note 3 Summary of Significant Accounting Policies (cont'd)

(g) Financial instruments (cont'd)

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.

(h) 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.

(i) 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.

(j) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

(k) 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.

Notes to the Financial Statements

For the Year Ended 30 June 2020

Note 3 Summary of Significant Accounting Policies (cont'd)

(k) Critical accounting estimates and judgements (cont'd)

Key estimates - impairment of property, plant and equipment

The Company 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.

Key estimates - lease term and option to extend under AASB16

The lease term is defined as the non-cancellable period of a lease together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and also periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The options that are reasonably certain of being exercised is a key management judgement that the entity will make. The entity determines the likelihood to exercise on a lease-by-lease basis looking at various factors such as which assets are strategic and which are key to the future strategy of the entity.

The Company has determined that it is likely to exercise the option to increase the lease term for the Club premises by 5 years, with the new lease termination date being 31 October 2029.

Key estimates - borrowing rate under AASB16

Under AASB16, entities are required to determine the interest rate implicit in the lease agreement. Where the lease agreements do not state the interest rate, entities are required to use their expected borrowing rate.

The Company has determined to use the RBA lending rate to medium-sized businesses at 1 July 2019, which was 3.94%.

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Notes to the Financial Statements

For the Year Ended 30 June 2020

Note 4 Revenue and Other Income

	2020	Restated 2019
	\$	\$
Sales revenue		
- Gaming	895,717	1,315,247
- Beverage	2,255,022	3,026,469
- Function catering	1,290,467	1,705,046
- Function ancillaries	176,067	138,505
- Venue hire and catering rent	823,203	1,013,160
- Subscription income	129,806	142,256
- Car parking	173,363	249,517
- Other revenue	416,237	478,347
	<u>6,159,882</u>	<u>8,068,547</u>
Other Income		
- Gain/(loss) on investment	(252,738)	187,973
- Interest revenue	2,654	6,079
- Dividend revenue	105,680	120,718
- Rental benefits	700,968	(463)
- Job Keeper subsidy	273,000	-
	<u>829,564</u>	<u>314,307</u>

Note 5 Result for the Year

The Result for the year includes the following specific expenses:

Cost of sales	1,663,838	2,186,501
Depreciation, amortisation and impairments	1,136,369	1,161,748
Finance charges	444,341	489,687
Employee benefits expense	2,584,783	3,024,980

Note 6 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%
(2019: 27.5%)

(206,022)	(143,293)
-----------	-----------

Add:

Tax effect of:

- net income and expenditure items relating to member activity	197,389	62,851
- tax losses not brought to account	8,633	80,442

Income tax expense

<u>-</u>	<u>-</u>
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Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Notes to the Financial Statements

For the Year Ended 30 June 2020

2020	Restated 2019
\$	\$

(b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following:

Tax losses at 27.5% (2019: 27.5%)	1,876,463	1,846,199
Capital losses at 27.5% (2019: 27.5%)	1,968,442	1,897,576
Temporary differences at 27.5% (2019: 27.5%)	28,205	(8,322)
	<u>3,873,110</u>	<u>3,735,443</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 7 Cash and cash equivalents

Cash on hand	51,027	67,860
Bank balances	203,565	58,385
	<u>254,592</u>	<u>126,245</u>

Note 8 Trade and other receivables

CURRENT		
Trade receivables	13,886	47,632
Deposits	388,913	409,123
Other receivables	99,322	9,988
	<u>502,121</u>	<u>466,743</u>

Note 9 Inventories

CURRENT		
At cost:		
Stock on hand	47,085	56,525

Note 10 Other financial assets

CURRENT		
Investments at fair value through profit and loss		
Australian equities	1,065,101	1,573,980
International equities	689,773	757,272
Domestic listed property	180,362	240,537
Fixed interest	417,034	742,938
Cash deposits	16,762	181,452
Other investments	-	11,675
	<u>2,369,032</u>	<u>3,507,854</u>

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020 \$	Restated 2019 \$
Note 11 Property, plant and equipment		
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	6,631,683	6,605,517
Accumulated depreciation	(5,534,810)	(5,360,286)
Total property, plant and equipment	1,096,873	1,245,231

(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	1,245,231
Additions	231,529
Depreciation expense	(379,887)
Balance at 30 June 2019	1,096,873

Note 12 Right of use assets

RIGHT OF USE ASSET		
At cost	11,482,233	11,482,233
Accumulated depreciation	(4,328,732)	(3,572,250)
Total right of use assets	7,153,501	7,909,983

Note 13 Trade and other payables

CURRENT		
Trade payables	310,822	689,761
Sundry payables and accrued expenses	123,711	98,168
Other payables	385,219	410,730
	819,752	1,198,659

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020	Restated 2019
	\$	\$
Note 14 Borrowings		
CURRENT		
Unsecured liabilities:		
Bank overdraft	-	5,033
	<u>-</u>	<u>5,033</u>
NON-CURRENT		
Unsecured liabilities:		
Loan from Investment fund	300,000	300,000
	<u>300,000</u>	<u>300,000</u>
Note 15 Provisions		
CURRENT		
Employee entitlements - annual leave	208,484	174,977
Employee entitlements- long service leave	62,364	-
	<u>270,848</u>	<u>174,977</u>
NON-CURRENT		
Employee entitlements- long service leave	72,442	129,983
	<u>72,442</u>	<u>129,983</u>
Note 16 Leasing Commitments		
Minimum lease payments:		
- not later than one year	1,256,648	65,354
- between one year and five years	4,726,059	45,226
- later than five years	5,043,324	-
	<u>11,026,031</u>	<u>110,580</u>
Less: finance charges	(1,786,936)	(3,141)
Less: Rental benefit	(387,948)	-
	<u>9,627,043</u>	<u>107,439</u>
Note 17 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:

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020	Restated 2019
	\$	\$
Note 17 Financial Risk Management (cont'd)		
Financial assets at amortised cost:		
Cash and cash equivalents	254,592	126,245
Investment portfolio	2,369,032	3,507,854
Total financial assets	3,125,745	4,100,842
Financial Liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	819,752	1,198,659
Lease liabilities	8,924,125	-
Other financial liabilities	300,000	300,000
Total financial liabilities	10,043,877	1,498,659

Note 18 Contingencies

Kirribilli Ex-Service Club Limited had financial guarantee of \$198,917 (2019: nil) with ANZ Bank at the end of the reporting period.

Note 19 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 20 Key Management Personnel Disclosures

The total remuneration paid to key management personnel of the Company is \$ 414,279 (2019: 264,328).

Note 21 Impact of Covid-19 on continuing operations

Covid-19 has impacted the revenue significantly. The Club remained closed from 23 March 2020 to 30 June 2020 due to restrictions on numbers of gatherings placed by the government. Subsequent to the re-opening of the Club on 1 July 2020, it is currently operating at approximately 35% of previous revenue, most of which is offset by the fixed expenses of the Club. The Club continues to receive the government Job Keeper stimulus and therefore wages have been maintained at a reasonable range. The Club is also focusing on reducing variable expenses where possible.

The loss of Functions revenue due to Covid-19 is expected to have a long-lasting effect on the Club's revenue, as most functions are booked months in advance. Revenue from beverage is restricted by total numbers allowed within the venue. Gaming revenue had been trending downwards even prior to Covid-19, and it is expected that it may continue decreasing in the near future due to the imminent increase in unemployment and stagnant wage growth. The increasing volatility in the share market is further expected to impact future revenue as the Club endures the reduction in consumer confidence. The Directors hope that this will reignite sooner rather than later.

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Notes to the Financial Statements

For the Year Ended 30 June 2020

Note 22 Events Occurring After the Reporting Date

The financial report was authorised for issue on 22 October 2020 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.

Note 23 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 2020 the number of members was 16,213 (2019: 18,415).

Note 24 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

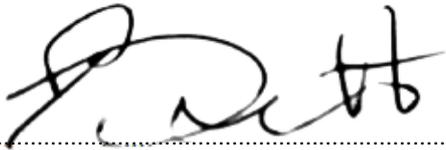
ABN: 16 000 057 250

Directors' Declaration

The directors of the Company declare that:

- 1. The financial statements and notes, as set out on pages 7 to 24, 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 2020 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 

Director 

Dated: 22 October 2020

INDEPENDENT AUDITOR'S 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 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 Kirribilli Ex-Service Club Limited, is in accordance with the Corporations Act 2001, including:

- (a) 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
- (b) Complying with the Australian Accounting Standards – Reduced Disclosure Requirements and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Other Information (cont'd)

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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, action taken to eliminate threats or safeguards applied.



PKF



SCOTT TOBUTT
PARTNER

22 OCTOBER 2020
SYDNEY, NSW