

Randwick Labor Club Limited

ABN 35 000 353 417

Financial Report - 31 October 2021

Randwick Labor Club Limited

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31 October 2021

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Randwick Labor Club Limited
Directors' report
31 October 2021

The directors present their report, together with the financial statements, on the Club for the year ended 31 October 2021.

Directors

The following persons were directors of the Club during the whole of the financial year and up to the date of this report, unless otherwise stated:

Vic Smith (President)
Ann Bowen (Senior Vice President)
Brian Ferguson (Junior Vice President)
Ken Murray
Dominic Sullivan
Peter Bell
Christina Curry
Chris Bastic
Tony Waller

Principal activities

During the financial year the principal continuing activities of the Club consisted of managing licensed social clubs and property investment.

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

Objectives

The Club's short term objectives are to:

- Maintain the financial viability of the Club through routine monitoring and control, by comparison and benchmarking within the club industry and through Key Performance Indicators (KPIs);
- Provide members with services and facilities that meet or exceed their expectation; and
- Monitor staff development and provide training to enhance career advancement.

The Club's long term objective is to promote and maintain the heritage and foundation principles in accordance with the Club's Constitution.

Strategy for achieving the objectives

To achieve these objectives, the Club is developing the following strategies:

- Maintenance of a 5 year and 10 year Strategic Plan covering the following key areas of business planning to ensure financial viability: Property Master planning to develop strategies to maximum returns from assets and satisfying the future needs of members, Market Segment, Services and Facilities, Food Operation, Gaming Operation, Entertainment, Promotional Activity, Marketing Strategy, Membership Communication, Staff Development and Succession Planning for Management and Directors;
- Payment of existing financial facilities through structured principal and interest repayments; and
- Maximising the financial returns from the Club's investment to ensure ongoing success and best use of resources.

Performance measures

The Club measures its own performance through the use of both quantitative and qualitative KPIs. The KPIs, which include Bar Gross Profit Percentage, Food Operation Gross Profit Percentage, Gaming Machine Return to Player Minimum, Interest Cover Ratio, are used by the directors to assess the financial sustainability of the Club and whether the Club's short term and long term objectives are being achieved.

COVID - 19

The Coronavirus (COVID-19), which was declared a pandemic by the World Health Organisation on 11 March 2020, has had significant impact on the global and Australian economy. Due to the significant uncertainty and continuous developments associated with COVID-19, management and the board are unable to quantify or estimate the full financial effects of COVID-19 on the Club at the date of this report.

**Randwick Labor Club Limited
Directors' report
31 October 2021**

Information on directors

Name: Vic Smith
Title: President
Qualifications: Former Director Sydney Ports Corp., Paul Harris Fellow Rotary International
Experience and expertise: 4 years as President, 4 year as Treasurer, 12 years as director

Name: Ann Bowen
Title: Senior Vice President
Qualifications: B.A., LLM
Experience and expertise: 10 years as Senior Vice President, 29 years as director
Special responsibilities: Building Committee

Name: Brian Ferguson
Title: Junior Vice President
Qualifications: Former Director Environment Services and Chief Health & Building Inspector
Experience and expertise: 10 years as Junior Vice President, 16 years as director
Special responsibilities: Building Committee

Name: Ken Murray
Title: Director
Qualifications: Former Director Sydney Ports Corp., Former Chair Sydney Pilots Service
Experience and expertise: 31 years as President, 43 years as director
Special responsibilities: Finance Committee and Building Committee

Name: Dominic Sullivan
Title: Director
Qualifications: B.A.(Hons), LLB (Hons)
Experience and expertise: 14 years as Secretary, 15 years as director
Special responsibilities: Finance Committee and Building Committee

Name: Peter Bell
Title: Director
Qualifications: Retired
Experience and expertise: 40 years as director
Special responsibilities: Finance Committee

Name: Dr. Christina Curry
Title: Director
Qualifications: PhD; Master of Education; Bachelor of Physical Education
Experience and expertise: 9 years as director
Special responsibilities: Building Committee

Name: Chris Bastic
Title: Director
Qualifications: Stakeholder Relations Manager
Experience and expertise: 8 years as director
Special responsibilities: Finance Committee

Name: Tony Waller
Title: Director
Qualifications: Superintendent Fire Rescue NSW
Experience and expertise: 6 years as director
Special responsibilities: Building Committee

Randwick Labor Club Limited
Directors' report
31 October 2021

Meetings of directors

The number of meetings of the Club's Board of Directors ('the Board') held during the year ended 31 October 2021, and the number of meetings attended by each director were:

	Full Board Held	Attended
Vic Smith (President)	12	12
Ann Bowen (Senior Vice President)	12	12
Brian Ferguson (Junior Vice President)	12	10
Ken Murray	12	12
Dominic Sullivan	12	11
Peter Bell	12	11
Christina Curry	12	12
Chris Bastic	12	11
Tony Waller	12	12

Held: represents the number of meetings held during the time the director held office.

Contributions on winding up

Randwick Labor Club Limited is incorporated under the Corporations Act 2001 and is a company limited by guarantee. In the event of the Club being wound up, the constitution states that each member is required to contribute a maximum of \$5 each (2020: \$5 each) towards meeting any outstanding obligations of the Club.

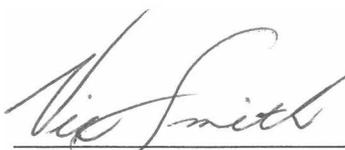
At 31 October 2021, the total amount that members of the Club are liable to contribute if the Club is wound up is \$30,595 (2020: \$26,835).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Vic Smith
Director



Ann Bowen
Director

18 January 2022

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF RANDWICK LABOR CLUB
LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended
31 October 2021 there have been:

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



William Buck
Accountants & Advisors
ABN 16 021 300 521



Domenic Molluso
Partner

18 January 2022

ACCOUNTANTS & ADVISORS

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Randwick Labor Club Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 October 2021

	Note	2021 \$	2020 \$
Revenue	4	5,332,517	6,484,158
Other income	5	1,772,997	526,987
Expenses			
Raw materials and consumables used		(663,121)	(736,724)
Repairs and maintenance		(378,467)	(318,543)
Advertising and marketing expenses		(75,340)	(66,673)
Employee benefits expense		(1,754,548)	(1,989,346)
Depreciation and amortisation expense		(1,069,562)	(1,161,582)
Rental properties' expense		(533,536)	(562,099)
Poker machine duty		(242,734)	(434,546)
Professional fees		(250,176)	(209,546)
Promotion expense		(251,434)	(410,735)
Donations and community support		(76,470)	(77,040)
Central monitoring expenses		(45,002)	(51,250)
Other expenses		(176,361)	(202,463)
Finance costs		(130,905)	(169,152)
Occupancy		(598,593)	(547,946)
Net fair value loss on investment properties		-	(1,450,000)
Surplus/(deficit) before income tax (expense)/benefit		859,265	(1,376,500)
Income tax (expense)/benefit	6	(257,521)	597,469
Surplus/(deficit) after income tax (expense)/benefit for the year attributable to the members of Randwick Labor Club Limited		601,744	(779,031)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Impact of change in tax rate on Asset Revaluation Reserve		53,846	80,768
Other comprehensive income for the year, net of tax		53,846	80,768
Total comprehensive income for the year attributable to the members of Randwick Labor Club Limited		<u>655,590</u>	<u>(698,263)</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Randwick Labor Club Limited
Statement of financial position
As at 31 October 2021

	Note	2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents	7	709,176	742,801
Trade and other receivables	8	21,894	38,110
Inventories	9	56,884	74,735
Other	10	60,287	70,246
Total current assets		<u>848,241</u>	<u>925,892</u>
Non-current assets			
Investment properties	11	32,500,000	30,940,000
Property, plant and equipment	12	23,559,034	24,148,818
Right-of-use assets	13	376,312	506,584
Total non-current assets		<u>56,435,346</u>	<u>55,595,402</u>
Total assets		<u>57,283,587</u>	<u>56,521,294</u>
Liabilities			
Current liabilities			
Trade and other payables	14	303,899	388,138
Lease liabilities	15	190,155	213,815
Employee benefits	16	348,844	401,508
Other	17	10,781	5,632
Total current liabilities		<u>853,679</u>	<u>1,009,093</u>
Non-current liabilities			
Borrowings	18	6,200,000	6,000,000
Lease liabilities	19	56,055	201,919
Deferred tax	20	5,048,118	4,844,443
Employee benefits	21	36,314	32,008
Total non-current liabilities		<u>11,340,487</u>	<u>11,078,370</u>
Total liabilities		<u>12,194,166</u>	<u>12,087,463</u>
Net assets		<u>45,089,421</u>	<u>44,433,831</u>
Equity			
Reserves	22	9,395,412	9,341,566
Retained surpluses		<u>35,694,009</u>	<u>35,092,265</u>
Total equity		<u>45,089,421</u>	<u>44,433,831</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Randwick Labor Club Limited
Statement of changes in equity
For the year ended 31 October 2021

	Revaluation surplus reserve \$	Retained surplus \$	Total equity \$
Balance at 1 November 2019	9,260,798	35,871,296	45,132,094
Deficit after income tax benefit for the year	-	(779,031)	(779,031)
Other comprehensive income for the year, net of tax	80,768	-	80,768
	<u>80,768</u>	<u>(779,031)</u>	<u>(698,263)</u>
Total comprehensive income for the year			
Balance at 31 October 2020	<u>9,341,566</u>	<u>35,092,265</u>	<u>44,433,831</u>
	Revaluation surplus reserve \$	Retained surplus \$	Total equity \$
Balance at 1 November 2020	9,341,566	35,092,265	44,433,831
Surplus after income tax expense for the year	-	601,744	601,744
Other comprehensive income for the year, net of tax	53,846	-	53,846
	<u>53,846</u>	<u>601,744</u>	<u>655,590</u>
Total comprehensive income for the year			
Balance at 31 October 2021	<u>9,395,412</u>	<u>35,694,009</u>	<u>45,089,421</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Randwick Labor Club Limited
Statement of cash flows
For the year ended 31 October 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		5,774,837	6,999,102
Payments to suppliers and employees		<u>(5,535,324)</u>	<u>(6,130,634)</u>
		239,513	868,468
Government stimulus		207,649	520,900
Interest received		3	99
Finance costs		<u>(130,905)</u>	<u>(169,152)</u>
Net cash from operating activities		<u>316,260</u>	<u>1,220,315</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(396,464)	(499,818)
Proceeds from disposal of property, plant and equipment		<u>-</u>	<u>21,939</u>
Net cash used in investing activities		<u>(396,464)</u>	<u>(477,879)</u>
Cash flows from financing activities			
Net proceeds from / (repayment of) borrowings		200,000	(394,673)
Repayment of lease liabilities		<u>(153,421)</u>	<u>(236,576)</u>
Net cash from/(used in) financing activities		<u>46,579</u>	<u>(631,249)</u>
Net increase/(decrease) in cash and cash equivalents		(33,625)	111,187
Cash and cash equivalents at the beginning of the financial year		<u>742,801</u>	<u>631,614</u>
Cash and cash equivalents at the end of the financial year	7	<u><u>709,176</u></u>	<u><u>742,801</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Randwick Labor Club Limited
Notes to the financial statements
31 October 2021

Note 1. General information

The financial statements cover Randwick Labor Club Limited as an individual entity, incorporated and domiciled in Australia. The financial statements are presented in Australian dollars, which is Randwick Labor Club Limited's functional and presentation currency.

Randwick Labor Club Limited is a company limited by guarantee.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 18 January 2022. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Club has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Club.

The following Accounting Standards and Interpretations are most relevant to the Club:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 July 2021 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Club has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Club may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Club's financial statements.

AASB 2020-2 Amendments to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

These standards are applicable to annual reporting periods beginning on or after 1 July 2021. AASB 2020-2 will prohibit certain for-profit entities from preparing special purpose financial statements and AASB 1060 provides a new Tier 2 reporting framework with simplified disclosures that are based on the requirements of IFRS for SMEs. If the Club moves to general purpose simplified financial statements in the future, there is likely to be increased disclosure for areas such as key management personnel, related parties and financial instruments; and some disclosures will be removed. If the Club adopts the standards prior to the mandatory application date it will be able to take advantage of certain special transitional disclosure relief relating to comparative information in the first year of adoption.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB'), and the Corporations Act 2001. The Club is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of investment properties and certain classes of property, plant and equipment.

Note 2. Significant accounting policies (continued)

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Club's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Revenue recognition

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Club is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Club: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; 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 recognises 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, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either 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

Sale of goods revenue is recognised upon the delivery of goods to customers.

Rendering of services

Rendering of services revenue is recognised upon the delivery of services to customers.

Rent

Rent revenue is recognised on a straight-line basis in accordance with lease agreements.

Interest

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

Other revenue

Other revenue, including membership fees, is recognised when the right to receive the revenue has been established.

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

Income tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

The charge for income tax expense is based on the profit adjusted for any non-assessable or disallowed items. It is calculated using the proportion of net income attributable to non-members together with investment and property income and is provided at tax rates that have been enacted or are substantially enacted as at the end of the reporting period.

Note 2. Significant accounting policies (continued)

Deferred income tax expense represents movements in deferred tax expense and deferred tax liability balances during the year.

Current and deferred income tax expense (income) is charged directly to equity instead of the profit or loss when the tax relates to items that are credited directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Club's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Club's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Club has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Inventories are measured at the lower of cost and net realisable value.

Investment properties

Investment properties principally comprise freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the Club. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss.

Note 2. Significant accounting policies (continued)

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	2.5%
Plant and equipment	5% - 50%
Leasehold improvements	20% - 50%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Club. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Club expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Club has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

References to a "lease" or "leases" refer to both lease and license agreements.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Club prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 2. Significant accounting policies (continued)

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Club's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

References to a "lease" or "leases" refer to both lease and license agreements.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 2. Significant accounting policies (continued)

Comparative Figures

Comparative figures have been adjusted, where necessary, to conform with changes in presentation for the current financial year.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Impairment of property, plant and equipment and investment properties

The Club assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the Club and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

The Club's investment properties were independently valued on a fair value basis on 30 June 2021 by Global Valuation Services Pty Limited, a certified professional real estate valuer. The assessment considers existing and comparable market sales data at the date of valuation.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Club based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain and staffing. As described in specific notes, there appears to be significant uncertainties with respect to events or conditions which may impact the Club unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

Estimation of useful lives of assets

The Club determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Income tax

The Club is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Club recognises liabilities for anticipated tax audit issues based on the Club's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made. This is particularly relevant for the determination of the tax cost base of land and buildings recorded within property, plant and equipment whose exact tax cost base can only be calculated if / when a Capital Gains Tax event occurs at the point in time in the future. Refer to Note 20 for further details.

Recovery of deferred tax assets

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

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Randwick Labor Club Limited
Notes to the financial statements
31 October 2021

Note 4. Revenue

	2021	2020
	\$	\$
Poker machine takings	1,971,123	3,106,129
Bar trading	2,034,620	1,945,190
Catering	25,973	55,348
Membership fees	5,220	8,305
TAB and KENO commissions	70,480	79,005
Rental revenue - investment properties	1,059,028	1,148,447
Interest received	3	99
Functions and room hire	23,446	20,959
Sundry revenue	142,624	120,676
	<u>5,332,517</u>	<u>6,484,158</u>

Note 5. Other income

	2021	2020
	\$	\$
Government stimulus	207,649	520,900
Net fair value gain on investment properties	1,560,000	-
Net gain on disposal of gaming entitlements and property, plant and equipment	-	6,087
Gain on rental concessions	5,348	-
	<u>1,772,997</u>	<u>526,987</u>

Note 6. Income tax expense/(benefit)

	2021	2020
	\$	\$
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Surplus/(deficit) before income tax (expense)/benefit	<u>859,265</u>	<u>(1,376,500)</u>
Tax at the statutory tax rate of 26% (2020: 27.5%)	223,409	(378,538)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-taxable member income and expense arising from the principle of mutuality	132,724	(13,138)
Non-deductible expenses	23,782	20,426
Non-assessable government assistance	<u>(45,330)</u>	<u>(27,500)</u>
	334,585	(398,750)
Tax losses not recognised in deferred tax asset	71,015	-
Adjustment to deferred tax balances as a result of change in statutory tax rate	<u>(148,079)</u>	<u>(198,719)</u>
Income tax expense/(benefit)	<u>257,521</u>	<u>(597,469)</u>

Randwick Labor Club Limited
Notes to the financial statements
31 October 2021

Note 7. Current assets - cash and cash equivalents

	2021	2020
	\$	\$
Cash on hand	224,320	199,320
Cash at bank	474,856	533,481
Cash on deposit	10,000	10,000
	<u>709,176</u>	<u>742,801</u>

Note 8. Current assets - trade and other receivables

	2021	2020
	\$	\$
Trade receivables	21,894	26,523
Other receivables	-	11,587
	<u>21,894</u>	<u>38,110</u>

Note 9. Current assets - inventories

	2021	2020
	\$	\$
Bar stock	<u>56,884</u>	<u>74,735</u>

Note 10. Current assets - other

	2021	2020
	\$	\$
Prepayments	<u>60,287</u>	<u>70,246</u>

Note 11. Non-current assets - investment properties

	2021	2020
	\$	\$
Investment property - at independent valuation	<u>32,500,000</u>	<u>30,940,000</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	30,940,000	32,390,000
Revaluation increments / (decrements)	<u>1,560,000</u>	<u>(1,450,000)</u>
Closing fair value	<u>32,500,000</u>	<u>30,940,000</u>

Randwick Labor Club Limited
Notes to the financial statements
31 October 2021

Note 11. Non-current assets - investment properties (continued)

The fair value model is applied to investment properties, which were revalued to their fair market value as determined by an independent valuation performed by Global Valuation Services Pty Limited on 30 June 2021.

The basis of the valuation was market value for the existing commercial and residential properties. The method of valuation was both the direct comparison and capitalised income approach. Sales and leasing information was obtained for residential and commercial sites and units in nearby and surrounding areas as well as normal sales enquiries from local real estate agents with regard to the current state of the market. The valuation resulted in a revaluation decrement being recognised in the statement of profit or loss and other comprehensive income.

Note 12. Non-current assets - property, plant and equipment

	2021 \$	2020 \$
Land and buildings - at directors valuation	22,800,000	22,800,000
Building improvements - at cost	271,901	253,148
Less: Accumulated depreciation	(823,169)	(410,648)
	<u>22,248,732</u>	<u>22,642,500</u>
Leasehold improvements - at cost	401,921	308,803
Less: Accumulated depreciation	(297,888)	(217,908)
	<u>104,033</u>	<u>90,895</u>
Plant and equipment - at cost	5,676,204	6,167,339
Less: Accumulated depreciation	(4,540,629)	(4,812,884)
	<u>1,135,575</u>	<u>1,354,455</u>
Capital works in progress - at cost	70,694	60,968
	<u>23,559,034</u>	<u>24,148,818</u>

Movements in carrying amounts

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

	Land and buildings \$	Plant and Equipment \$	Leasehold improvements \$	Motor Vehicles \$	Capital Works in Progress \$	Total \$
Balance at 1 November 2020	22,642,500	1,354,455	90,895	-	60,968	24,148,818
Additions	33,277	291,466	61,995	-	9,726	396,464
Disposals	-	(36,224)	-	-	-	(36,224)
Transfers	(14,524)	(16,599)	31,123	-	-	-
Depreciation expense	(412,521)	(457,523)	(79,980)	-	-	(950,024)
Balance at 31 October 2021	<u>22,248,732</u>	<u>1,135,575</u>	<u>104,033</u>	<u>-</u>	<u>70,694</u>	<u>23,559,034</u>

Valuation of land and buildings

The Club's freehold land and buildings were independently valued on a fair value basis on 26 August 2019 (The Randwick Club and Randwick Bowling Club) by Global Valuation Services Pty Limited. The fair value was derived by adding the assessed depreciated replacement cost of the improvements and special features of the buildings to the underlying market value of the land, relative to the improvements thereon and enterprise conducted, i.e. as an operating registered club, together with its ancillary improvements. The valuation resulted in a revaluation increment which was recognised in reserves during the year ended 31 October 2019.

Randwick Labor Club Limited
Notes to the financial statements
31 October 2021

Note 12. Non-current assets - property, plant and equipment (continued)

At 31 October 2021, the directors reviewed the key assumptions adopted by the valuers in the 2019 financial year and do not believe there has been a significant change in the assumptions, except for the additional building renovations performed after the 2019 revaluation which have been recognised at cost at 31 October 2021. The directors therefore believe the carrying amount of the land and buildings correctly reflects the fair value at 31 October 2021.

Note 13. Non-current assets - right-of-use assets

	2021	2020
	\$	\$
Building - right-of-use	129,862	145,081
Less: Accumulated depreciation	<u>(76,008)</u>	<u>(42,468)</u>
	<u>53,854</u>	<u>102,613</u>
Poker Machines - right-of-use	532,259	532,259
Less: Accumulated depreciation	<u>(209,801)</u>	<u>(128,288)</u>
	<u>322,458</u>	<u>403,971</u>
	<u><u>376,312</u></u>	<u><u>506,584</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Building	Poker Machines	Total
	\$	\$	\$
Balance at 1 November 2020	102,613	403,971	506,584
AASB 16 Leases - impact of rental concession	(10,734)	-	(10,734)
Depreciation expense	<u>(38,025)</u>	<u>(81,513)</u>	<u>(119,538)</u>
Balance at 31 October 2021	<u><u>53,854</u></u>	<u><u>322,458</u></u>	<u><u>376,312</u></u>

Note 14. Current liabilities - trade and other payables

	2021	2020
	\$	\$
Trade payables	117,406	97,020
Other payables	<u>186,493</u>	<u>291,118</u>
	<u><u>303,899</u></u>	<u><u>388,138</u></u>

Note 15. Current liabilities - lease liabilities

	2021	2020
	\$	\$
Lease liability - Building	41,419	44,511
Lease liability - Poker Machines	<u>148,736</u>	<u>169,304</u>
	<u><u>190,155</u></u>	<u><u>213,815</u></u>

Randwick Labor Club Limited
Notes to the financial statements
31 October 2021

Note 16. Current liabilities - employee benefits

	2021	2020
	\$	\$
Employee benefits	<u>348,844</u>	<u>401,508</u>

Note 17. Current liabilities - other

	2021	2020
	\$	\$
Deferred revenue	<u>10,781</u>	<u>5,632</u>

Note 18. Non-current liabilities - borrowings

	2021	2020
	\$	\$
Bank loans	<u>6,200,000</u>	<u>6,000,000</u>

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	2021	2020
	\$	\$
Bank loans	<u>6,200,000</u>	<u>6,000,000</u>

Assets pledged as security

The bank facilities are secured by:

- first registered general security agreement over all existing and future assets and undertakings of Randwick Labor Club Limited;
- first registered real property mortgage by Randwick Labor Club Limited over commercial property located at 1 Elizabeth Street Randwick, commercial property located at 143 Alison Road Randwick and commercial property located at 145-147 Alison Road Randwick; and
- first registered specific security agreement over charge of the Club's liquor licences.

The poker machine lease liability is secured by the poker machines under contract.

Note 19. Non-current liabilities - lease liabilities

	2021	2020
	\$	\$
Lease liability - Building	22,193	72,132
Lease liability - Poker Machines	<u>33,862</u>	<u>129,787</u>
	<u>56,055</u>	<u>201,919</u>

Randwick Labor Club Limited
Notes to the financial statements
31 October 2021

Note 20. Non-current liabilities - deferred tax

	2021 \$	2020 \$
Deferred tax liability	<u>5,048,118</u>	<u>4,844,443</u>

The deferred tax liability has been calculated on the basis that the buildings (but not land) recorded within property, plant and equipment (Note 12) is subject to Capital Gains Tax (CGT) as it has been assumed that the buildings, in their entirety, are a post-CGT asset. The Club's CGT liability can only be accurately calculated if / when a CGT Event occurs at a point in time in the future. As such, the deferred tax liability recorded is an estimate of the Club's CGT liability. The actual CGT liability can not be determined at the date of this report.

Note 21. Non-current liabilities - employee benefits

	2021 \$	2020 \$
Employee benefits	<u>36,314</u>	<u>32,008</u>

Note 22. Equity - reserves

	2021 \$	2020 \$
Revaluation surplus reserve	<u>9,395,412</u>	<u>9,341,566</u>

Revaluation surplus reserve

The reserve is used to recognise increments and decrements in the fair value of land and buildings, excluding investment properties.

Note 23. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Club is set out below:

	2021 \$	2020 \$
Aggregate compensation	<u>513,892</u>	<u>494,225</u>

Any persons having authority and responsibility for planning, directing and controlling the activities of the Club, directly or indirectly, including any director (whether executive or otherwise) of that Club is considered key management personnel.

The President was paid a honorarium totalling \$15,000 for FY2021 (2020: \$13,567).

Note 24. Contingent liabilities

The Club had no contingent liabilities as at 31 October 2021 and 31 October 2020.

Note 25. Commitments

The Club had no significant commitments for expenditure as at 31 October 2021 (2020: Nil)

Randwick Labor Club Limited
Notes to the financial statements
31 October 2021

Note 26. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 23.

The President was paid a honorarium totalling \$15,000 during FY2021, with \$5,000 paid in December 2021. In 2020 the President was paid a honorarium totalling \$8,554, of which \$1,446 was paid in November 2020.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Note 27. Events after the reporting period

The Coronavirus (COVID-19), which was declared a pandemic by the World Health Organisation on 11 March 2020, has had significant impact on the global and Australian economy. Due to the significant uncertainty and continuous developments associated with COVID-19, management and the board are unable to quantify or estimate the full financial effects of COVID-19 on the Club at the date of this report.

No other matter or circumstance has arisen since 31 October 2021 that has significantly affected, or may significantly affect the Club's operations, the results of those operations, or the Club's state of affairs in future financial years.

Note 28. Financial risk management

The main risks the Club is exposed to through its financial instruments are interest rate risk and liquidity risk. The Club's financial instruments consists mainly of deposits with banks, short-term investments, accounts receivable and payable and bank loans. The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	2021	2020
	\$	\$
Financial assets		
Cash and cash equivalents	709,176	742,801
Trade and other receivables	21,894	38,110
	<u>731,070</u>	<u>780,911</u>
Total financial assets	<u>731,070</u>	<u>780,911</u>
	2021	2020
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	303,899	388,138
Borrowings	6,200,000	6,000,000
Lease liabilities	246,210	415,734
	<u>6,750,109</u>	<u>6,803,872</u>
Total financial liabilities	<u>6,750,109</u>	<u>6,803,872</u>

The fair values of financial assets approximate their carrying value.

Randwick Labor Club Limited
Directors' declaration
31 October 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Club's financial position as at 31 October 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Club will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Vic Smith
Director



Ann Bowen
Director

18 January 2022

Randwick Labor Club Limited

Independent Auditor's Report to Members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Randwick Labor Club Limited (the Club), which comprises the statement of financial position as at 31 October 2021, the statement of profit and 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 other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Club's financial position as at 31 October 2021 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards – Reduced Disclosure Regime 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 Club 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 Club, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. As at the date of this report, the other information comprises the information included in the Club's directors' report for the year ended 31 October 2021 but does not include the financial report and the auditor's report thereon.

ACCOUNTANTS & ADVISORS

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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 Club are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Regime 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 ability of the Club 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 Club or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

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

This description forms part of our independent auditor's report.



William Buck
Accountants & Advisors
ABN 16 021 300 521



Domenic Molluso
Partner

18 January 2022