

South Newcastle Rugby League Club Limited

ABN: 35 001 028 520

Financial Statements

For the Year Ended 30 June 2023

South Newcastle Rugby League Club Limited

ABN: 35 001 028 520

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For the Year Ended 30 June 2023

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South Newcastle Rugby League Club Limited

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Directors' Report

30 June 2023

The directors present their report on South Newcastle Rugby League Club Limited for the financial year ended 30 June 2023.

Information on directors

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

Paul Merlo

Peter O'Grady

Ross Hodge

Matthew Argent

Bruce Mackie

Peter Strickleton

David Stanbridge

Renaë Carey

Paul Quealey

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

The Company Secretary is Mr Steve Pringle. Mr Pringle was appointed to this position on 30 January 2007.

Principal activities

The principal activity of South Newcastle Rugby League Club Limited during the financial year were:

- a) the operation of a Registered Club; and
- b) the promotion and provision of sporting and social amenities to members and their guests.

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

Review of operations

The profit of the Company after providing for income tax amounted to \$334,601 (2022: \$289,554).

Total income has increased by \$1,845,620 (42%) to \$6,222,208. Direct expenses (including cost of goods sold) have increased by \$1,224,952 (47%) to \$3,841,000. The resulting gross profit has increased \$668,672 (50%), rising from \$1,321,879 to \$1,990,351.

Total asset additions for the year were \$553,215 which included purchase of poker machines amounting to \$273,600.

There were no transactions or events other than those described above, that had a significant impact to the reported financial results for the year.

South Newcastle Rugby League Club Limited

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Directors' Report

30 June 2023

Long term objectives

The Company's long term objectives are:

- To foster and promote the game of rugby league and other sports in its local community, being Merewether and surrounding suburbs.
- To offer a social venue for the associated sporting group members, and their guests, that provides excellent facilities and activities.
- To maintain the principles of the Responsible Service of Alcohol and the Responsible Conduct of Gaming.

Strategy for achieving the objectives

The Board of Directors, management and staff are committed to achieving the Company's objectives by setting financial goals which are constantly reviewed and reassessed using industry benchmarks, feedback from members as well as advice from industry associations and professionals.

Performance measures

The Company measures its own performance through the use of both quantitative and qualitative benchmarks. The benchmarks are used by the Directors to assess the financial sustainability of the Company and whether the Company's short-term and long-term objectives are being achieved. Performance is assessed regularly against previous results, approved budgets and relevant industry benchmarks.

Key Performance Indicators

	2023 %	2022 %
Beverage sales gross profit percentage	60.48	62.10
Total wages to total revenue	24.29	25.30
Earnings before interest, tax, depreciation, amortisation and donations (EBITDAD)	\$1,107,111	\$884,005

Members' guarantee

South Newcastle Rugby League Club Limited is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each member and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$2 for members that are corporations and \$2 for all other members, subject to the provisions of the company's constitution.

Membership Category

	2023	2022	Maximum Liability \$
Full member	3,704	2,484	7,408
Pension Member	3,635	2,764	7,270
Other Member	678	544	1,356
Total	8,017	5,792	16,034

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Directors' Report

30 June 2023

Directors Interests and benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with a director or with a firm of which they are a member, or with a Company in which they have a substantial financial interest other than as disclosed in Note 15.

Meetings of directors

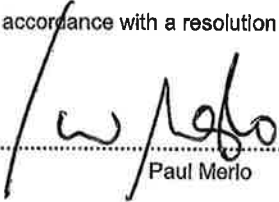
During the financial year, 12 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Paul Merlo	12	12
Peter O'Grady	12	10
Ross Hodge	12	9
Matthew Argent	12	12
Bruce Mackle	12	11
Peter Strickleton	12	11
David Stanbridge	12	10
Paul Quealey	12	9
Reneae Carey	12	8

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 2023 has been received and can be found on page 4 of the financial report.

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

Director: 
Paul Merlo

Director: 
Paul Quealey

25 October 2023

South Newcastle Rugby League Club Limited

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Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of South Newcastle Rugby League Club Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023, 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.



Joshua Comyns
Partner
KLM Accountants

25 October 2023

Charlestown, NSW

South Newcastle Rugby League Club Limited

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Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2023

		2023	2022
	Note	\$	\$
Revenue	4	5,831,351	3,937,727
Cost of goods sold		(741,991)	(418,423)
Other direct expense		(3,099,009)	(2,197,625)
Gross profit		1,990,351	1,321,679
Other income	4	390,857	438,861
Expenses			
Community donations and sponsorships		(147,616)	(109,679)
Administrative expenses		(375,241)	(330,631)
Finance costs		(180,266)	(101,647)
Occupancy costs		(1,071,058)	(740,609)
Service expenses		(241,701)	(202,266)
Profit before income tax		365,326	275,708
Income tax (expense) / benefit		(30,725)	13,846
Profit for the year		334,601	289,554
Other comprehensive income			
Revaluation increment (land and buildings)		-	3,143,674
Decrease/(increase) in deferred tax liability on reserves		-	(228,164)
Other comprehensive income for the year		-	2,915,510
Total comprehensive income for the year		334,601	3,205,064

The accompanying notes form part of these financial statements.

South Newcastle Rugby League Club Limited

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Statement of Financial Position**As At 30 June 2023**

	Note	2023 \$	2022 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	261,994	496,973
Trade and other receivables		10,392	33,639
Inventories		59,054	81,523
Current tax receivable		-	5,250
Other assets		39,926	15,232
TOTAL CURRENT ASSETS		371,366	632,617
NON-CURRENT ASSETS			
Property, plant and equipment	8	15,753,050	15,746,969
Deferred tax assets	6	6,882	10,541
TOTAL NON-CURRENT ASSETS		15,759,932	15,757,510
TOTAL ASSETS		16,131,298	16,390,127
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	388,889	684,887
Interest bearing liabilities	10	892,257	2,177,242
Short-term provisions	11	134,897	119,507
Income in advance	12	9,000	9,000
TOTAL CURRENT LIABILITIES		1,425,043	2,990,636
NON-CURRENT LIABILITIES			
Interest bearing liabilities	10	1,576,883	590,637
Deferred tax liabilities	6	433,982	433,430
Long-term provisions	11	4,386	6,521
Income in advance	12	234,375	246,875
TOTAL NON-CURRENT LIABILITIES		2,249,626	1,277,463
TOTAL LIABILITIES		3,674,669	4,268,099
NET ASSETS		12,456,629	12,122,028
EQUITY			
Reserves	13	10,202,883	10,202,883
Retained earnings		2,253,746	1,919,145
TOTAL EQUITY		12,456,629	12,122,028

The accompanying notes form part of these financial statements.

South Newcastle Rugby League Club Limited

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Statement of Changes in Equity
For the Year Ended 30 June 2023

	Retained Earnings	Asset Realisation Reserve	Total
	\$	\$	\$
Balance at 1 July 2022	1,919,145	10,202,883	12,122,028
Profit/(Loss) for the year	334,601	-	334,601
Balance at 30 June 2023	2,253,746	10,202,883	12,456,629

	Retained Earnings	Asset Realisation Reserve	Total
	\$	\$	\$
Balance at 1 July 2021	1,629,591	7,287,373	8,916,964
Profit/(Loss) for the year	289,554	-	289,554
Other comprehensive income			
Revaluation increment (land and buildings)	-	3,143,674	3,143,674
Increase in deferred tax liability on reserves	-	(228,164)	(228,164)
Balance at 30 June 2022	1,919,145	10,202,883	12,122,028

The accompanying notes form part of these financial statements.

South Newcastle Rugby League Club Limited

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Statement of Cash Flows For the Year Ended 30 June 2023

	2023	2022
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	6,787,751	4,749,956
Payments to suppliers and employees	(5,810,450)	(3,634,362)
Interest paid	(180,266)	(101,647)
Income taxes paid	-	(5,250)
Net cash provided by/(used in) operating activities	797,035	1,008,697
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of plant and equipment	33,614	25,098
Purchase of property, plant and equipment	(546,939)	(1,011,853)
Net cash provided by/(used in) investing activities	(513,325)	(986,755)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	-	400,000
Repayment of borrowings/leases	(518,689)	(455,748)
Net cash provided by/(used in) financing activities	(518,689)	(55,748)
Net increase/(decrease) in cash and cash equivalents held	(234,979)	(33,806)
Cash and cash equivalents at beginning of year	496,973	530,779
Cash and cash equivalents at end of financial year	7 261,994	496,973

The accompanying notes form part of these financial statements.

South Newcastle Rugby League Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2023

The financial report covers South Newcastle Rugby League Club Limited as an individual entity. South Newcastle Rugby League Club Limited is a not-for-profit Company limited by guarantee, incorporated and domiciled in Australia.

The functional and presentation currency of South Newcastle Rugby League Club Limited is Australian dollars.

The financial report was authorised for issue by the Directors on the date the Director's Declaration was signed.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

The financial statements are for South Newcastle Rugby League Club Limited as an individual entity, incorporated and domiciled in Australia. South Newcastle Rugby League Club Limited is a Company limited by guarantee.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Simplified Disclosures of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements, except for the cash flow information, have been prepared on an accrual 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. The amounts presented in the financial statements have been rounded to the nearest dollar.

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

2 Summary of Significant Accounting Policies

(a) Revenue and other income

Sales of Goods

The Company sells food and beverage to members, their guests and the public. Revenue is recognised when the products are delivered to the customers.

Poker Machines and Other Gaming Revenue

Revenue is recognised as the net clearances taken from all machines on a daily basis, Keno, TAB and other commissions are recognised when the Company obtains control of the commission, generally upon receipt.

Member Subscriptions

Under the Club's constitution, Membership Subscriptions are non-refundable to members and are recognised as revenue upon receipt.

Interest Income

Interest income is recognised using the effective interest method.

Sundry Income

Sundry income is recognised as it accrues.

All revenue is stated net of the amount of Goods and Services Tax (GST).

South Newcastle Rugby League Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2023

2 Summary of Significant Accounting Policies

(b) Income Tax

Income tax payable is calculated in accordance with the provision of the Income Tax Assessment Act dealing with Registered Clubs and Associations. Tax-effect accounting procedures are adopted whereby the income tax expense in the Income statement matched with the accounting profit (after allowing for permanent differences).

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 recognised for deductible and temporary differences where considered material. Deferred tax assets in respect of unused tax losses are only recognised to the extent it is probable that a taxable profit will be available against which deductible temporary differences and carried forward tax losses can be utilised if material.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on the tax rates (and tax law) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income.

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.

(c) Cash and cash equivalents

Cash and cash equivalents comprises 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 borrowings in current liabilities on the statement of financial position

(d) Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less a loss allowance for expected credit losses (i.e. provision for doubtful debts).

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Notes to the Financial Statements

For the Year Ended 30 June 2023

2 Summary of Significant Accounting Policies

(d) Trade and Other Receivables

The expected credit losses on trade receivables are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

(e) Inventories

Inventories held for sale are measured at the lower of cost and net realisable value. Inventories held for distribution are measured at cost adjusted, when applicable, for any loss of service potential.

(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.

Freehold Property

Freehold land and buildings are shown at their fair value based on periodic, but at least every five years, valuations by external independent valuers, less subsequent depreciation for buildings. In periods when the freehold land and buildings are not subject to an independent valuation, the directors conduct directors' valuations to ensure the carrying amount for the land and buildings is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in the revaluation surplus in equity. Revaluation decreases that offset previous increases of the same class of assets shall be recognised in other comprehensive income under the heading of revaluation surplus. All other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Items of property, plant and equipment acquired for significantly less than fair value have been recorded at the acquisition date fair value.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present. Plant and equipment that have been contributed at no cost, or for nominal cost, are valued and recognised at the fair value of the asset at the date it is acquired.

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Notes to the Financial Statements For the Year Ended 30 June 2023

2 Summary of Significant Accounting Policies

(f) Property, plant and equipment

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is held ready for use. Leasehold Improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the Improvements.

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

Fixed asset class	Depreciation rate
Buildings	5% to 10%
Plant and Equipment	10% to 40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(g) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or the sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Classification and subsequent measurement

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense over its profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

South Newcastle Rugby League Club Limited

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Notes to the Financial Statements For the Year Ended 30 June 2023

2 Summary of Significant Accounting Policies

(g) Financial Instruments

Classification and subsequent measurement

Financial assets

Financial assets are subsequently measured at amortised cost as all financial assets are managed solely to collect contractual cash flows and the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Impairment

The Company recognises a loss allowance for expected credit losses. Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

Recognition of expected credit losses in financial statements

At each reporting date, the Company recognises the movement in the loss allowance as an impairment gain or loss in the statement of comprehensive income. The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position. On derecognition of a financial asset or liability measured at amortised cost, the difference between the carrying amount and the sum of the consideration received/paid and receivable/payable is recognised in profit or loss.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires).

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

(h) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised in profit or loss.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the Company would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

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Notes to the Financial Statements For the Year Ended 30 June 2023

2 Summary of Significant Accounting Policies

(h) Impairment of non-financial assets

Where it is not possible to estimate the recoverable amount of an asset's class, the Company estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

Where an impairment loss on a revalued asset is identified, this is recognised against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of asset.

(i) Trade and Other Payables

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

(j) Leases

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Company's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Company's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(k) Employee benefits

Short-term employee benefits

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

The Company's obligations for short-term employee benefits such as wages and salaries are recognised as a part of current trade and other payables in the statement of financial position.

South Newcastle Rugby League Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2023

2 Summary of Significant Accounting Policies

(k) Employee benefits

Long-term employee benefits

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

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

(l) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(m) 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 with other receivables or 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 ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

(n) Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(o) Fair value of assets and liabilities

The Company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard. "Fair value" is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

South Newcastle Rugby League Club Limited

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Notes to the Financial Statements For the Year Ended 30 June 2023

2 Summary of Significant Accounting Policies

(o) Fair value of assets and liabilities

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability). In the absence of such a market, market information is extracted from the most advantageous market available to the Company at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the Company's own equity instruments (if any) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and where significant, are detailed in the respective note to the financial statements.

(p) Adoption of new and revised accounting standards

The Company has adopted all standards which became effective for the first time at 30 June 2023, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Company.

(q) Going concern

The Company recorded a net current liability position of \$1,057,677 as at 30 June 2023 (2022: \$2,358,019).

Notwithstanding the above, the Directors have prepared the financial statements on a going concern basis which contemplates the realisation of assets and extinguishment of liabilities in the ordinary course of business. The Directors consider the going concern assumption to be appropriate due to the following factors:

- The Company has met its loan repayment obligations throughout the financial year.
- Included within current liabilities recognised in the statement of financial position are employee entitlements of \$134,897 which, based on previous years' results, will not be extinguished in the next 12 months.
- The Company's budgeted financial results for the 2024 financial year forecast a profit of \$370,029.

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Notes to the Financial Statements

For the Year Ended 30 June 2023

2 Summary of Significant Accounting Policies

(g) Going concern

- The Company has demonstrated ability in managing employee and other direct expenditure to limit the impact of the trading conditions to the Company's gross profit.
- The Company has a strong history of generating positive cashflows from operations within the current year generating \$797,035 (2022: \$1,008,697).

The Directors are confident that the Company will be successful in navigating the challenges noted above and accordingly, the Directors have prepared the financial statements on a going concern basis. However, should the circumstances above not eventuate, there is uncertainty on the ability of the Company to continue as a going concern and realise its assets and extinguish its liabilities in the ordinary course of business. No provision for such circumstances has been reflected in the financial statements.

3 Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Valuation of freehold land and buildings

The freehold land and buildings were independently valued at 29 August 2022. The valuation technique utilised for land was the market approach which uses prices and other relevant information generated by market transactions for similar properties. The valuation technique utilised for buildings was the cost approach that reflects the current replacement cost of an asset at its current service capacity.

Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The Directors have assessed that no impairment of assets exists at 30 June 2023.

Long service leave entitlement

The liability for long service leave is 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, estimates of attrition rates and pay increases through promotions and inflation have been taken into account. Accumulated experience, along with market-based risk free rates of return, have been used in valuing long service leave entitlements.

Impairment of receivables

The receivables at reporting have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

South Newcastle Rugby League Club Limited

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Notes to the Financial Statements For the Year Ended 30 June 2023

3 Critical Accounting Estimates and Judgments

Estimated useful lives of assets

The Company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. 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 down.

4 Revenue and Other Income

	2023 \$	2022 \$
Revenue		
- Bar trading	1,493,166	931,331
- Poker machine	3,415,376	2,549,188
- Function bar (In-house)	226,482	80,119
- Coffee shop	439,037	211,323
- Entertainment	162,019	134,009
- Function catering (contracted)	95,271	31,757
	5,831,351	3,937,727
Other income		
- Membership fees	37,493	22,296
- Room rental	60,095	31,016
- Commissions	249,411	164,808
- Insurance recoveries	-	88,733
- Government stimulus program	11,633	113,793
- Other income	225	33
- Profit on sale of fixed assets	32,000	18,182
	390,857	438,861
Total Revenue and other income	6,222,208	4,376,588

South Newcastle Rugby League Club Limited

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Notes to the Financial Statements For the Year Ended 30 June 2023

5 Result for the Year

Profit for the year has been determined after:

	2023 \$	2022 \$
Finance costs		
Bank charges	27,331	17,451
Interest expense on financial liabilities	126,253	64,186
Interest expense on lease liabilities	26,682	20,011
Total finance costs	180,266	101,648
Employee benefits expense		
Wages & Salaries	1,374,079	1,027,153
Superannuation	141,932	96,433
Employee entitlements	13,256	2,769
Total employee benefits expense	1,529,267	1,126,355
Depreciation of non-current assets		
Buildings	157,276	129,214
Plant and assets	388,243	267,760
Total depreciation for the year	545,519	396,974

6 Income Tax Expense

(a) The major components of tax expense (income) comprise:

Current tax expense	26,514	5,664
Deferred tax expense	4,211	-
(Under)/over provision in respect of prior years	-	(19,510)
Income tax expense / (benefit)	30,725	(13,846)

(b) 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. The amount set aside for income tax in the statement of comprehensive income has been provided on a taxable income calculated as follows:

Accounting profit/(loss) before income tax	365,326	257,708
Tax at statutory income tax rate of 25% (2022: 25%)	91,332	64,427
<u>Adjust for tax effect of:</u>		
Other timing differences	(2,176)	(8,977)
Apportionment adjustment members income and expenses	(59,547)	(68,938)
Change in tax rate	-	(358)
Recoupment of tax losses	(3,095)	-
	26,514	(13,846)

(c) Deferred income tax (revenue) expense included in income tax expenses comprises:

Decrease (increase) in deferred tax assets	3,659	-
(Decrease) increase in deferred tax liabilities	552	-
	4,211	-

South Newcastle Rugby League Club Limited

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Notes to the Financial Statements For the Year Ended 30 June 2023

6 Income Tax Expense

(d) Income tax recognised in other comprehensive Income.
Deferred tax - increase/(decrease) in asset revaluation reserve

2023	2022
\$	\$

-	(228,164)
---	-----------

(e) The balance comprises temporary differences attributable to:

Deferred tax assets

Trade and other payables
Employee provisions
Unused tax losses
Other

4,199	3,824
2,665	3,604
-	3,095
18	18

6,882	10,541
-------	--------

Deferred tax liabilities

Asset revaluation reserve
Depreciation
Other

387,760	433,430
45,169	-
1,053	-

Total

433,982	433,430
---------	---------

7 Cash and Cash Equivalents

Cash on hand
Bank balances

150,000	140,000
111,994	356,973
261,994	496,973

8 Property, plant and equipment

LAND AND BUILDINGS

Freehold land
At fair value

9,330,000	9,330,000
-----------	-----------

Total Land

9,330,000	9,330,000
-----------	-----------

Buildings

At fair value

5,120,000	5,120,000
-----------	-----------

Additions at cost

74,072	-
--------	---

Accumulated depreciation

(157,276)	-
-----------	---

Total buildings

5,036,796	5,120,000
-----------	-----------

Total land and buildings

14,366,796	14,450,000
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PLANT AND EQUIPMENT

Capital works in progress
At cost

-	39,295
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South Newcastle Rugby League Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2023

8 Property, plant and equipment

	2023 \$	2022 \$
Plant and equipment		
At cost	4,078,359	3,806,003
Accumulated depreciation	(2,692,105)	(2,548,329)
Total plant and equipment	1,386,254	1,257,674
Total property, plant and equipment	15,753,050	15,746,969

(a) Core Property Disclosure

Section 41J(2) of the Registered Clubs Act requires the annual report to specify the core and non-core property of the Club at the end of the financial year. Core property is defined as any real property owned or occupied by the Club that comprises:

- (i) the defined premises of the Club;
- (ii) any facility provided by the Club for use by its Members and their guests; or
- (iii) any other property declared by a resolution passed by a majority of Members present at a general meeting of ordinary Members of the Club to be core property.

Non-core property is any other property that is not referred to above as core property and any property which is declared by the Members at a general meeting or ordinary Members not to be core property. The licensed premises at 46 Llewellyn Street Merewether is core property. The Club does not have any non-core property.

(b) Fair Value Measurement

The Company measures freehold land and buildings at fair value on a recurring basis after their initial recognition. For freehold land and buildings, the fair values are based on a Directors' valuation taking into account an external independent valuation performed in August 2022 and applied in the 2021/22 financial year, which has used comparable market data for land and the current replacement cost methodology for buildings.

(c) Asset Valuations

The freehold land and buildings were independently valued at 30 June 2022 by Baker and Magin Valuers (Certified Practising Valuers). The valuation technique utilised for land was the market approach which uses prices and other relevant information generated by market transactions for similar properties. The valuation technique utilised for buildings was the cost approach that reflects the current replacement cost of an asset at its current service capacity.

(d) Assets Pledged as Security

Freehold land and buildings with a carrying value of \$14.36m (2022: \$14.45m) have been pledged to secure the borrowings of the company (refer note 10). In addition, the Company's obligations under finance leases (refer note 10) are secured by the lessor's title to the leased assets currently classified as plant and equipment.

South Newcastle Rugby League Club Limited

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Notes to the Financial Statements For the Year Ended 30 June 2023

8 Property, plant and equipment

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

	Capital Works in Progress	Land	Buildings	Plant and Equipment	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2023					
Balance at the beginning of year	39,295	9,330,000	5,120,000	1,257,674	15,746,969
Additions	-	-	34,777	518,438	553,215
Disposals	-	-	-	(1,615)	(1,615)
Transfers	(39,295)	-	39,295	-	-
Depreciation expense	-	-	(157,276)	(388,243)	(545,519)
Balance at the end of the year	-	9,330,000	5,036,796	1,386,254	15,753,050

During the year, asset additions of \$219,950 (2022: \$261,821) were financed by way of hire purchase agreements as disclosed at Note 10 of these financial statements. These additions have been excluded from the financing and Investing activities in the Statement of Cash Flows.

9 Trade and Other Payables

	2023	2022
	\$	\$
Trade payables	230,665	513,973
Gaming machine tax	51,542	101,889
Sundry payables and accrued expenses	84,561	69,025
Provision for income tax	22,121	-
	388,889	684,887

10 Interest bearing liabilities

CURRENT		
Business loan	393,000	47,277
Hire purchase (lease) liability	246,865	236,632
Poker machine financing	12,392	32,333
Secured loan	240,000	1,861,000
Total current borrowings	892,257	2,177,242
NON-CURRENT		
Business loan	-	352,723
Hire purchase (lease) liability	171,883	237,914
Secured loan	1,405,000	-
Total non-current borrowings	1,576,883	590,637
Total borrowings	2,229,140	2,767,879

South Newcastle Rugby League Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2023

10 Interest bearing liabilities

SECURED FACILITIES

Hire purchase (lease) liabilities are finance arrangements for poker machine upgrades and other capital purchases. These facilities commenced between 2018 and 2023 for 3 to 5 year terms with interest rates of 5.9% to 7.69%. Hire purchase liabilities are secured by the underlying leased asset. There are no debt covenants or other such conditions attached to the facilities.

The secured loan is secured by a first registered mortgage over the freehold land and building assets at the Company's premises, 46 Llewellyn Street, Merewether. The facility incurred an interest rate of 4.194% p.a. at 30 June 2023 (2022: 3.39% p.a.) and will expire on 6 February 2026. The limit and term of the facility are subject to an annual review which was satisfied in the current year. The loan facility is in reduction which means the maximum loan facility is reduced by the scheduled principal repayments. The business loan of \$393,000 was closed on 31 July 2023 and consolidated to the new secured loan facility.

The Company has an unused overdraft facility of \$200,000 (2022: \$200,000).

11 Provisions

	2023 \$	2022 \$
CURRENT		
Provisions for annual leave	70,329	66,542
Provisions for long service leave	64,568	52,965
	134,897	119,507
NON-CURRENT		
Provisions for long service leave	4,386	6,521
(a) Aggregate employee entitlements liability	139,283	126,028
(b) Number of employees at yearend (full-time equivalents)	18	17

The current portion for employee provisions includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement. The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

12 Income received in advance

CURRENT		
Rent received in advance	9,000	9,000
NON-CURRENT		
Rent received in advance	234,375	246,875
Total	243,375	255,875

The Club has entered into an arrangement with the Merewether/Hamilton-Adamstown RSL Sub-Branch for the letting of an area of the Club for a 30-year term.

South Newcastle Rugby League Club Limited

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Notes to the Financial Statements For the Year Ended 30 June 2023

13 Reserves

	2023 \$	2022 \$
Asset revaluation reserve	70,329	66,542
	134,897	119,507

The asset revaluation reserve records fair value movements on property, plant and equipment held under the revaluation model.

14 Capital and Leasing Commitments

Finance leases (hire purchase) commitments payable:

Minimum lease payments

not later than one year

between one year and five years

Minimum lease payments

Less: finance charges

Present value of minimum lease payments

Represented by

Current hire purchase and poker machine financing

Non-current hire purchase

Total

275,994	287,042
180,224	246,131
456,218	533,173
(25,078)	(26,294)
431,140	506,879
259,257	268,965
171,883	237,914
431,140	506,879

Capital expenditure projects

The Company signed a building contract for renovations to main floor bathrooms and gaming room on 7 August 2023 and will commence on 14 August 2023. Total contract price for the renovation is \$614,261. These works are being funded by existing loan facilities with the Commonwealth Bank of Australia.

Operating lease commitments

The Company applies the low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

15 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 2023 the number of members was 8,017 (2022: 5,792).

South Newcastle Rugby League Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2023

16 Key Management Personnel Remuneration

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) is considered key management personnel. Key management personnel compensation:

	2023	2022
	\$	\$
Short-term benefits - Salaries , wages and allowances	181,153	168,388
Short-term benefits - Superannuation	19,021	15,539
Total	200,174	183,927

17 Auditors' Remuneration

Remuneration of the auditor 2023: KLM Accountants (2022: Prosperity Audit Services)

Audit and review of financial statements	14,900	15,950
Taxation services	3,900	6,100
Total	18,800	22,050

18 Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, and leases. The carrying amounts for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

Financial assets

Cash and cash equivalents	261,994	496,97
Trade and other receivables	10,392	33,63
Total	272,386	530,612

Financial liabilities

Trade and other payables	388,889	684,887
Interest bearing liabilities - current	892,257	2,177,242
Interest bearing liabilities - non-current	1,576,883	590,637
Total	2,859,029s	3,452,766

19 Contingencies

In the opinion of the Directors, the Company has a contingent liability in relation to bank guarantee substituting for a security deposit for TAB facilities amounting to \$5,000 on 30 June 2023 (30 June 2022: \$5,000).

South Newcastle Rugby League Club Limited

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Notes to the Financial Statements For the Year Ended 30 June 2023

20 Related Parties

Key management personnel - refer to Note 16.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other persons unless otherwise stated.

There were no related party transactions during the financial year ended 30 June 2023.

21 Events after the end of the Reporting Period

The financial report was authorised for issue on 25th October 2023 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.

22 Statutory Information

- The registered office and principal place of business of the company is:
South Newcastle Rugby League Club Limited
46 Llewellyn St
Merewether NSW 2291

South Newcastle Rugby League Club Limited

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Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 26, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards- Simplified Disclosures; and
 - b. give a true and fair view of the financial position as at 30 June 2023 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

Paul Merlo

Director

Paul Quealey

25 October 2023

South Newcastle Rugby League Club Limited

Independent Audit Report to the members of South Newcastle Rugby League Club Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of South Newcastle Rugby League Club Limited (the Company), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Company's financial position as at 30 June 2023 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards - Simplified Disclosures and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Simplified Disclosures 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.

South Newcastle Rugby League Club Limited

Independent Audit Report to the members of South Newcastle Rugby League Club Limited

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

South Newcastle Rugby League Club Limited

Independent Audit Report to the members of South Newcastle Rugby League Club Limited

- 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.



Joshua Comyns
Partner
KLM Accountants

25 October 2023

Charlestown, NSW