

KNOX CLUB

An Australian Company, Limited By Guarantee

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2020**

PRESIDENT'S REPORT

What a year. Firstly we commit to a large renovation which is started then along comes Coronavirus and we are forced to close for several months.

The upshot of that was the renovation went very smoothly and is now completed thanks to the very hard work of G/M Ryan Clayton and Committee member Leon Mackie with assistance from Committee members Laurie Tucker and John Croughan.

Treasurer Andrew Jensen also did a fantastic job in organising finance both for the renovation and also the day to day running costs, with no income it was a nightmare.

All of that is hopefully behind us and we look forward to a bright future. Thanks to all of the staff who have returned to work after such a long layoff.

The completed renovations look spectacular which should result in increased trade and increased profits which will allow us to reduce our borrowings over the next few years.

Thanks to all of our members and visiting patrons for supporting the club through a very very difficult time.

Again thanks to all of the current committee, General Manager Ryan, his Management staff, all of whom worked tirelessly behind the scenes when the club was closed then re-opened under severe restrictions, to ensure the club would be very successful once again.

The 2020 AGM due to be held in October could not be held due to Coronavirus restrictions instead will be held in February 2021.

Teresa West has decided she will not re-nominate for the committee in her role as secretary, in early 2021, we wish her well after 20 plus years on committee

Our future looks very bright

BRIAN ASLEY
PRESIDENT

TREASURER'S REPORT

For the 2019/20 Covid 19 pandemic financial year, the Knox Club recorded a trading profit before tax of \$275,403 and \$273,858 after tax. Our interest expense was \$705,705 and depreciation & amortisation \$840,090. A significant decrease in profit compared to the previous year of \$1.095 Million due to the club being totally closed for Covid 19 from March 23.

Although the club received significant government funding during the Covid 19 period, it still endured significant losses this financial year that will also be realised in the next financial year.

During the 2019/20 financial year, the club commenced major renovations with over \$2.6 Million spent up to June 30. The renovations were completed in October 2020 at a total cost of over \$4 Million.

The Club following a vote of Members at a 2014 EGM purchased in December 2014 the shares in Natsley P/L, the company that owned the club's freehold.

The acquisition required a Bendigo Bank loan of \$8 Million plus a loan from the shareholders of the selling company of \$3.2 Million at 10.5% interest. In October 2015 following negotiations with the Bendigo Bank, they financed the payout of the Shareholders loan of \$1.69 Million. As at June 30, 2020 our bank loans were \$7.148 Million compared to \$5.238 Million in 2019 so an increase of \$1.9 Million required for the renovations.

An independent property valuation of the club in September 2015 that was required for tax purposes estimated the value at \$11.8 Million and a 2019 valuation undertaken by the bank estimated the value at \$13.8 Million. Our borrowings at June 30, 2020 were \$7.148 Million.

The Club has committed to the Victorian government to renew our gaming machine licenses from 2022 to 2032 for \$3.78 Million of which we have already had to pay a 5% deposit of \$189,000 with the balance payable within 5 years from 2022. We have already paid for our current licenses until 2022.

Thanks to all our Management and staff for another good year as well as our Committee for making some serious decisions which I'm sure will now secure the future of our club. Especially the committee members, Leon Mackie, Laurie Tucker and John Croughan and our General Manager, Ryan Clayton who spent so much of their personal time ensuring the renovations proceeded to their satisfaction. Also, a special thank you to the staff who have endured the Covid 19 period and stuck with the club.

Teresa West will be retiring in her position as Secretary after 22 years of service on committee, so I thank her for her commitment and dedication to the club in her role on committee as well as to our annual charity day and sub club involvement.

Summary of our Knox Club accounts

Gross Profit Contribution	\$000 2020	\$000 2019	% Increase/ (Decrease)
Liquor	805	1207	(33.3)
Food	937	1242	(24.6)
Gaming	3404	3703	(8.1)
Other	250	268	(6.7)
Govt Subsidies	685		
	-----	-----	-----
	6081	6420	(5.3)
	-----	-----	-----
Expenses			
Wages & On Costs	3025	3306	(8.5)
General Expenses	1235	1392	(11.3)
Finance Expenses	706	253	179.0
Non-Cash Expenses	840	374	124.6
	-----	-----	-----
	5806	5326	9.0
	-----	-----	-----
Net KC Accounting Profit / (Loss)	275	1095	(74.9)
Income Tax	1	52	(98.1)
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Net Profit/(Loss) after Tax	274	1043	(73.7)

ANDREW JENSEN
TREASURER

KNOX CLUB
A.B.N.70 004 833 701

DIRECTORS REPORT

Your directors present their report on the Knox Club for the financial year ended 30 June 2020.

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

During the financial year, 11 meetings of directors (including committees) were held.
Attendance's were as follows:

	DIRECTORS'/FINANCE COMMITTEE MEETINGS	
	Meetings eligible to attend	Meetings Attended
Mr Brian Asley (President)	11	9
Mr John Croughan (Vice President)	11	11
Ms Teresa West	11	11
Mr Andrew Jensen	11	11
Mr Leon Mackie	11	11
Mr Laurie Tucker	11	10
Mr John Sellers	3	3

PRINCIPAL ACTIVITIES

The principal activities of the company during the financial year were the operation of a licensed social, recreational, and sporting club.

There were no significant changes in the nature of the company's principal activities during the financial year.

OPERATING RESULTS

The result of the company for the financial year after providing for income tax amounted to a Profit of \$273,858 (2019: \$1,043,069).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 11 March 2020, the World Health Organisation (WHO) declared the Coronavirus Disease (COVID-19) a pandemic. Following the declaration, the Australian Government enforced bans on all non-essential travel and various levels of community lockdowns and forced closures throughout specific economic sectors, with the heaviest of these restrictions commencing on 25 March 2020. The financial market reactions and community lockdowns are expected to have significant economic and social consequences which will directly affect both the current and future operations as well as current and future financial results of the Club.

As a result of the Government Enforced Shutdowns, commencing from 23 March 2020, the Club has been closed for all trade and until balance date the Club has only been allowed to reopen under a minimal operating capacity. Due to the nature of the Club, several financial assistance measures available to combat the financial impacts of the COVID-19 Pandemic have been recieved such as PAYGW liability relief, JobKeeper, licence refunds and VCGLR relief. As a result, these statements have been directly impacted by the pandemic.

At the date of this report, the Committee is aware of the financial impact the COVID-19 Pandemic has had on the reported financial position and performance of the Club for the year ended 30 June 2020. The Committee is wholly of the opinion that the Club will continue as a going concern.

The rapid and ongoing nature of the changing economic and social conditions due to the COVID-19 pandemic makes the measurement of their impact impossible to determine and report.

There have been no other significant changes in operations for the year ended 30 June 2020.

KNOX CLUB
A.B.N.70 004 833 701

DIRECTORS REPORT

AFTER BALANCE DATE EVENTS

Since balance date, the state of affairs in Victoria resulting from the COVID-19 pandemic have become progressively worse, including the declaration of a "State of Disaster" for Victoria, causing Stage 4 restrictions in the Victorian capital of Melbourne and a return to Stage 3 restrictions for the rest of the state. The effect of these events and measures cannot be reliably measured or determined.

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

INDEMNIFYING OFFICERS OR AUDITOR

The company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the company:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

REMUNERATION REPORT


Since the end of the previous financial year no director of the entity has received or become entitled to receive a benefit other than:

- (i) A benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the accounts; or
- (ii) a fixed salary as a full-time employee of the entity or of a related corporation, 'by reason of a contract made by the entity or a related entity corporation with the director 'or with a firm of which they are a member or with an entity in which they have a substantial financial interest.

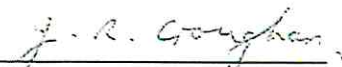
AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2020 has been received and can be found on the following page.

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



DIRECTOR



DIRECTOR

Dated this 23rd day of October 2020.

LDB Audit Services Pty Ltd

ACN 123 774 569 ABN 59 123 774 569

1-3 Albert Street, Blackburn Vic 3130

PO Box 550, Blackburn Vic 3130

Telephone: 03 9875 2900

Facsimile: 03 9875 2999

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Working as One

Knox Club

A.B.N 70 004 833 701

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Knox Club

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

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

LDB Audit Services Pty Ltd

LDB Audit Services Pty Ltd

1-3 Albert Street

BLACKBURN VIC 3130

Hilton Miller
Director

Dated this 26th day of October 2020

KNOX CLUB
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
Revenue from Operating Activities	2	5,979,711	6,420,868
Revenue from Non-Operating Activities	2	101,790	(1,053)
Employee Expenses	3	(3,025,191)	(3,305,870)
Depreciation & Amortisation	4	(840,090)	(373,929)
Audit Fees	20	(13,200)	(12,350)
Operational Expenses	5	(1,221,912)	(1,378,709)
Finance Costs	6	(705,705)	(253,360)
Current Year Surplus Before Income Tax		275,403	1,095,597
Income Tax Expense	7	(1,545)	(52,528)
Net Current Year Surplus		273,858	1,043,069
Other Comprehensive Income		-	-
Total Other Comprehensive Income		-	-
Total Comprehensive Income for the Year		273,858	1,043,069
Surplus Attributable to the Members of the Entity		273,858	1,043,069
Total Comprehensive Income Attributable to the Members of the Entity		273,858	1,043,069

This statement should be read in conjunction with the accompanying notes.

KNOX CLUB
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 \$	2019 \$
CURRENT ASSETS			
Cash & Cash Equivalents	8	249,205	941,655
Trade & Other Receivables	9	489,747	134,677
Inventories		50,362	51,513
Prepayments		25,617	68,769
TOTAL CURRENT ASSETS		814,931	1,196,614
NON-CURRENT ASSETS			
Available for Sale Investments	10	13,640	17,800
Property, Plant & Equipment and Right of Use Assets	11	18,018,580	12,386,636
Intangible Assets	12	4,337,881	4,608,600
TOTAL NON-CURRENT ASSETS		22,370,101	17,013,036
TOTAL ASSETS		23,185,032	18,209,650
CURRENT LIABILITIES			
Payables	13	300,294	854,959
Monies in Trust		20,415	35,353
Interest Bearing Liabilities	16	64,147	9,845
Provisions	14	250,555	369,921
TOTAL CURRENT LIABILITIES		635,411	1,270,078
NON-CURRENT LIABILITIES			
Interest Bearing Liabilities	16	14,188,687	8,868,416
Provisions	14	80,976	60,896
TOTAL NON-CURRENT LIABILITIES		14,269,663	8,929,312
TOTAL LIABILITIES		14,905,074	10,199,390
NET ASSETS		8,279,958	8,010,260
EQUITY			
Reserves		1,490	5,650
Accumulated Surplus		8,278,468	8,004,610
TOTAL EQUITY		8,279,958	8,010,260

Contingent Liabilities and Contingent Assets	22
Commitments for Expenditure	24

This statement should be read in conjunction with the accompanying notes.

KNOX CLUB
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Accumulated Surplus	Financial Assets Available for Sale Reserve	Total
	\$	\$	\$
Balance at 1 July 2018	6,961,541	5,690	6,967,231
Net Current Year Surplus	1,043,069	-	1,043,069
Other Comprehensive Income	-	(40)	(40)
Balance at 30 June 2019	8,004,610	5,650	8,010,260
Net Current Year Surplus	273,858	-	273,858
Other Comprehensive Income	-	(4,160)	(4,160)
Balance at 30 June 2020	8,278,468	1,490	8,279,958

This statement should be read in conjunction with the accompanying notes.

KNOX CLUB
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers & Other Sources		6,048,474	7,545,099
Receipts from COVID-19 Stimulus		359,000	-
Dividends Received		1,257	2,049
Interest Received		920	2,591
Payments for Employees		(3,073,476)	(3,238,910)
Payments to Suppliers		(2,525,898)	(2,057,576)
GST Received From/(Remitted To) ATO		(661,047)	(813,609)
Net Cash Inflow/(Outflow) from Operating Activities	19	<u>149,230</u>	<u>1,439,644</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for Property, Plant and Equipment		(2,323,961)	(298,608)
Payment for Intangible Assets		-	(94,534)
Net Cash Flow From/(Used In) Investing Activities		<u>(2,323,961)</u>	<u>(393,142)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net Proceeds/(Repayment) of Lease Liabilities		(412,485)	23,914
Net Proceeds/(Repayment) of Borrowings		1,909,704	(997,125)
Net Cash Flow From/(Used In) Financing Activities		<u>1,497,219</u>	<u>(973,211)</u>
 Net increase/(decrease) in cash held		 (677,512)	 73,291
Cash at the beginning of the period		906,302	833,011
Cash at the end of the period	18	<u><u>228,790</u></u>	<u><u>906,302</u></u>

This statement should be read in conjunction with the accompanying notes.

KNOX CLUB
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements cover Knox Club Ltd as an individual entity, incorporated and domiciled in Australia. Knox Club Ltd is a company limited by guarantee.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements, except for 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.

Change in Accounting Policy

Initial Application of AASB 16

The Company has adopted AASB 16 Leases using the modified retrospective (cumulative catch-up) method from 1 July 2019 and therefore the comparative information for the year ended 30 June 2019 has not been restated and has been prepared in accordance with AASB 117: *Leases* and associated Accounting Interpretations. The impact of this is described below:

Company as a lessee

Under AASB 117, the Company assessed whether leases were operating or finance leases based on its assessment of whether the significant risks and rewards of ownership had been transferred to the Company or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low value assets).

The Company has elected to use the exception to lease accounting for short-term leases and leases of low value assets, and the lease expense relating to these leases are recognised in the statement of profit or loss on a straight line basis.

AASB 16 includes a number of practical expedients which can be used on transition. The Company has used these as follows:

- contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition;
- lease liabilities have been discounted using the Company's incremental borrowing rate at 1 July 2019;
- right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments;
- a single discount rate was applied to all leases with similar characteristics;
- the right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset;
- excluded leases with an expiry date prior to 30 June 2020 from the statement of financial position and lease expenses for these leases have been recorded on a straight-line basis over the remaining term;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease;
- for leases which were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are the same value as the leased asset and liability on 30 June 2019.

Financial Statement Impact of Adoption of AASB 16

The Company has recognised right-of-use assets of \$3,877,354 and lease liabilities of \$3,877,354 at 1 July 2019, for leases previously classified as operating leases.

Initial Application of AASB 15 and AASB 1058

The Company has applied AASB 15: *Revenue from Contracts with Customers* and AASB 1058 *Income for Not-for-Profit Entities* using the cumulative effect method of initially applying AASB 15 and AASB 1058 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, comparative information has not been restated and continues to be presented under AASB 118: *Revenue* and AASB 1004: *Contributions*

The Company has elected to apply AASB 1058 retrospectively only to contracts that are not completed contracts at the date of initial application.

There has been no adjustments to retained earnings as a result of initial application of AASB 15 or AASB 1058.

KNOX CLUB
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

For the Statement of Cash Flows presentation purposes, cash and cash equivalents includes bank overdrafts, which are included as current borrowings in the Statement of Financial Position.

(b) Receivables

Receivables and other debtors include amounts due from members as well as receivables from customers for goods sold in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified non-current assets.

Receivables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method, less any provision for impairment.

(c) Financial Instruments

Initial recognition and measurement

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

Financial instrument 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.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between the initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest* method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of income or expense in profit or loss.

Loans and receivables

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

Loans and receivables category includes cash and deposits, term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are those designated as available-for-sale or not classified in any other category of financial instrument asset. Such assets are initially recognised at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net result for the period.

KNOX CLUB
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(d) Property, Plant and Equipment

Each class of property, plant and equipment are measured initially at cost, and subsequently revalued at fair value (as indicated), less, where applicable, any accumulated depreciation and impairment losses.

Land, buildings, and other site improvements are measured at fair value, less any accumulated depreciation and accumulated impairment losses (where applicable). In the event the carrying amount of Land, buildings, and other site improvements is greater than the estimated recoverable amount, the carrying amount is written down 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 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 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.

The cost of fixed assets constructed by the Company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in the profit or loss during the financial period in which they are incurred.

(e) 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. Assets valued using this method include Land, Buildings, and Other Site Improvements.

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.

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 (i.e. the market with the greatest volume and level of activity for the asset or liability). In the absence of such a market, information is extracted from the most advantageous market available to the entity at the reporting date (i.e. The market maximises the receipts from the sale of the asset or minimises the payment 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 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 (excluding those related to share-based payments arrangements) may be valued, where there is no observable market price in relation to the transfer of an identical or similar financial instrument, by reference to observable market information where identical or similar instruments are held as assets. Where the information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

KNOX CLUB
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(f) Depreciation

The depreciable amount of all fixed assets, including capitalised lease assets, is depreciated on a straight-line, or diminishing value basis over the asset's useful life, commencing from the time the asset is available for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The following table indicates the expected useful lives of non current assets on which the depreciation charges are based.

	2020	2019
Site Improvements	Up to 10 years	Up to 10 years
Plant & Equipment	Up to 20 years	Up to 20 years
Gaming Plant & Equipment	Up to 5 years	Up to 5 years
Furniture & Fittings	Up to 40 years	Up to 40 years
Motor Vehicles	Up to 6 Years	Up to 6 Years
Leased Assets	Up to 5 years	Up to 5 years

(g) Impairment of Assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will consider both external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost of disposal and value-in-use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is immediately 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.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

(h) Intangible Assets

Intangible assets represent identifiable non-monetary assets without physical substance such as licences, patents, trademarks, goodwill, gaming machine entitlements, purchase costs, computer software, and development costs (where applicable). Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Company.

(i) Payables

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

(j) 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.

(k) Goods & Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 ATO is included with other receivables or payables in the Statement of Financial Position. Cash flows are represented 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.

KNOX CLUB
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(l) 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 before 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 the current trade and other payables in the Statement of Financial Position.

Other long-term employee benefits

Provision is made for employees' annual leave entitlements not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments are measured at 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 end-of-reporting-period market yields or Corporate bonds that have maturity dates approximating the terms of the obligations. Any re-measurements of other long-term employee benefit obligations due to changes in assumptions are recognised in profit or loss in the periods in which the exchanges occur.

The Company's obligations for long-term employee benefits are presented as non-current provision in the Statement of Financial Position, except where the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting date, in which case the obligations are present as current provisions.

On-Costs

Employee benefit on-costs, such as superannuation and workers compensation are recognised together with the provisions for employee benefits.

Superannuation

Contributions to contribution superannuation plans are expensed when incurred.

(m) Leases

Under AASB 16 *Leases*, at inception of a contract, the Club assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Club, where the Club is a lessee. However, all contracts that are classified as short-term (lease with remaining lease term of 12 months or less) and leases of low value (where the value of the underlying asset when new is less than \$10,000) are recognised as operating expenses on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Club used the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and any impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflect that the Club anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

KNOX CLUB
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(n) Income Recognition

Revenue is recognised in accordance with AASB 15 *Revenue from Contracts with Customers*. Income is recognised as revenue to the extent it is earned. Unearned income at reporting date is reported as income in advance.

Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes.

Gaming

Income derived from Electronic Gaming Machines is recognised when the cash is received.

Food

Income derived for the provision of meals is recognised when the cash is received.

Memberships

Membership income is recognised when the cash is received.

Interest

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial asset.

Dividend Revenue

Dividend revenue is recognised on the date the shares are quoted ex-dividend and, if not received at the end of the reporting period, is reflected in the Statement of Financial Position as a receivable at net market value.

Other Income

Other income is recognised as revenue when the cash is received.

(o) Income Tax

The company calculates its liability to tax by applying the Mutuality Principle. The charge for the current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid or (recovered from) the relevant taxation authority.

In accordance with the Commissioner of Taxation Tax Determination (TD 1999/38), commissions received from gaming machines, Keno, TAB and vending machines has been included as fully assessable income. Likewise, expenditure incurred in relation to these income activities has been included as fully deductible expenditure in accordance with Australian Taxation guidelines. All other income and expenses have been included in accordance with the Principle of Mutuality and other appropriate Australian Taxation legislation.

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.

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 the tax rates enacted or substantially 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.

(p) Comparative Figures

Where necessary comparative figures have been reclassified to facilitate comparisons.

KNOX CLUB
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
NOTE 2: REVENUE			
<i>Operating Activities:</i>			
Bar Trading	(2a)	804,625	1,206,589
Bistro Trading	(2b)	937,596	1,241,782
Gaming Contribution	(2c)	3,404,403	3,702,699
Rebates Received		132,667	12,748
ATM Commission		35,879	57,447
Vending Machine Income		1,632	2,849
Other Income and Recoveries		6,529	50,702
Room Hire		32,526	49,978
Subscriptions		42,247	96,074
Jobkeeper Subsidy		519,107	-
ATO Cashflow Boost		62,500	-
		<u>5,979,711</u>	<u>6,420,868</u>
<i>Non-Operating Activities:</i>			
Contribution from(to) Associated Clubs		(2,928)	(4,844)
Interest Received		920	2,591
Dividend Income		1,257	1,200
Recoveries - COVID-19		102,541	-
Total Revenue from Non-Operating Activities		<u>101,790</u>	<u>(1,053)</u>
TOTAL REVENUE		<u><u>6,081,501</u></u>	<u><u>6,419,815</u></u>
NOTE 2a: Bar Trading			
Bar Income		1,294,144	1,881,727
Less:			
Cost of Sales - Bar		(462,191)	(648,731)
Bar Expense		(27,328)	(26,407)
Total Bar Trading		<u><u>804,625</u></u>	<u><u>1,206,589</u></u>
NOTE 2b: Bistro Trading			
Food Income		1,651,572	2,219,231
Less:			
Cost of Sales - Food		(642,303)	(903,277)
Food Expense		(71,673)	(74,172)
Total Bistro Trading		<u><u>937,596</u></u>	<u><u>1,241,782</u></u>
NOTE 2c: Gaming Income			
Net Gaming Income after State Gaming Tax		3,456,755	4,966,424
TAB Commission		59,691	86,418
TGS Rebate		75,350	101,076
Keno Commission		4,001	9,841
Less:			
TGS - Gaming Service Fees		(29,541)	(1,271,769)
Gaming Expenses		(12,285)	(16,340)
Promotion Expenses		(39,730)	(33,175)
Associated Fees and Charges		(109,838)	(139,776)
Total Gaming Contribution		<u><u>3,404,403</u></u>	<u><u>3,702,699</u></u>

KNOX CLUB
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
NOTE 3: EMPLOYEE EXPENSES		
Salaries & Wages	2,612,098	2,831,181
Superannuation	204,512	262,471
Workcover	97,563	77,509
Payroll Tax	100,807	117,833
Staff Expenses	10,211	16,876
	<u>3,025,191</u>	<u>3,305,870</u>
TOTAL EMPLOYEE EXPENSES		
	<u>3,025,191</u>	<u>3,305,870</u>
NOTE 4: DEPRECIATION AND AMORTISATION		
Plant & Equipment	32,269	29,857
Gaming Plant & Equipment	3,072	3,072
Furniture & Fittings	32,318	35,452
Site Improvements	3,703	5,261
Motor Vehicles	1,703	11,378
Leased Assets	-	17,785
Right of Use Assets	496,306	
Intangible Assets	270,719	271,124
	<u>840,090</u>	<u>373,929</u>
NOTE 5: EXPENSES FROM OPERATIONS		
<i>Operating Expenses</i>		
Accounting Fees	28,900	28,900
Advertising and Promotions	288,371	354,790
Bands & Artists	75,279	106,457
Bank Charges	3,206	3,030
Committee Expense	15,000	15,000
Computer Services	11,953	8,837
Donations	25,400	20,400
Fees & Charges	15,139	19,254
General Expense	5,601	4,848
Hire of Plant & Equipment	1,625	2,167
Insurance	49,146	45,237
Motor Vehicle & Travelling Expenses	24,056	30,610
Pay TV	50,718	66,789
Postage, Printing & Stationery	19,372	25,026
Registrations & Permits	1,914	4,634
Security	121,138	167,177
Subscriptions & Licenses	16,808	17,634
Telephone	9,825	9,773
	<u>763,451</u>	<u>930,563</u>
<i>Total Operating Expenses</i>		
	<u>763,451</u>	<u>930,563</u>
<i>Occupancy Expenses</i>		
Cleaning	104,079	119,056
Rates & Taxes	106,722	47,977
Electricity & Gas	154,869	178,093
Repairs & Maintenance	68,842	77,642
Waste Disposal	23,949	25,378
	<u>458,461</u>	<u>448,146</u>
<i>Total Occupancy Expenses</i>		
	<u>458,461</u>	<u>448,146</u>
TOTAL EXPENSES FROM OPERATIONS	<u>1,221,912</u>	<u>1,378,709</u>

KNOX CLUB
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
NOTE 6. FINANCE COSTS		
Interest on Loans/Hire Purchase	195,310	253,360
Interest on Right of Use Asset Leases	510,395	-
TOTAL FINANCE COSTS	705,705	253,360
NOTE 7: INCOME TAX EXPENSE		
(Taxable Income)/Tax Loss	(5,151)	(175,094)
Income Tax Expense @ 30%	(1,545)	(52,528)
Refundable Franking Credits	378	360
Movement in Deferred Tax Asset	-	-
Income Tax Refundable/(Payable)	(1,167)	(52,168)
NOTE 8: CASH & CASH EQUIVALENTS		
Cash on Hand	40,742	190,667
Cash at Bank	208,463	750,988
TOTAL CASH & CASH EQUIVALENTS	249,205	941,655
Represented by:		
Operational Funds	196,731	872,474
Monies In Trust	20,415	35,353
Monies - Associated Clubs	32,059	33,828
	249,205	941,655
NOTE 9: TRADE & OTHER RECEIVABLES		
Trade Debtors	146,793	9,902
Amounts Receivable from ATO	132,847	-
Accrued Income	210,107	4,644
Reimbursements Due	-	120,131
TOTAL TRADE & OTHER RECEIVABLES	489,747	134,677
NOTE 10: AVAILABLE FOR SALE INVESTMENTS		
<i>Non-Current</i>		
Investments - Shares	13,640	17,800
TOTAL AVAILABLE FOR SALE INVESTMENTS	13,640	17,800

KNOX CLUB
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
NOTE 11: PROPERTY, PLANT & EQUIPMENT AND RIGHT OF USE ASSETS		
Property, Plant & Equipment		
Land at Valuation - 2015	7,260,000	7,260,000
Buildings at Valuation - 2015	3,000,000	3,000,000
Other Site Improvements at Valuation - 2015	1,540,000	1,540,000
Site Improvements at Cost	39,418	39,418
Less: Accumulated Depreciation	(14,441)	(10,738)
	24,977	28,680
Plant & Equipment	520,134	505,082
Less: Accumulated Depreciation	(423,691)	(391,422)
	96,443	113,660
Gaming Plant & Equipment at Cost	20,003	20,003
Less: Accumulated Amortisation	(16,812)	(13,740)
	3,191	6,263
Furniture & Fittings	752,200	751,949
Less: Accumulated Depreciation	(674,444)	(642,126)
	77,756	109,823
Motor Vehicles	66,615	66,615
Less: Accumulated Depreciation	(64,481)	(62,778)
	2,134	3,837
Leased Motor Vehicles	-	104,190
Less: Accumulated Amortisation	-	(57,084)
	-	47,106
Capital Work in Progress - Club Redevelopment	2,585,925	277,267
Total Property, Plant & Equipment	14,590,426	12,386,636
Right of Use Assets		
<i>Reclassified Upon Initial Application of AASB 16</i>		
Motor Vehicles	47,106	-
Less: Accumulated Amortisation	(11,637)	-
	35,469	-
<i>Recognised Upon Initial Application of AASB 16</i>		
TGS Contract - Gaming Machines & Services	3,877,354	-
Less: Accumulated Amortisation	(484,669)	-
	3,392,685	-
Total Right of Use Assets	3,428,154	-
TOTAL PROPERTY, PLANT & EQUIPMENT AND RIGHT OF USE ASSETS	18,018,580	12,386,636

KNOX CLUB
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 11: PROPERTY, PLANT & EQUIPMENT (Continued)

Charter Keck Cramer, at 30 June 2015 valued the Club property for financial reporting purposes at "Fair Value". Land, Buildings and Other Site Improvements are measured at 'Fair Value', pursuant to AASB 13 Fair Value. 'Fair Value' means "...the price that will be received to sell an asset, or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date, under current market conditions (that is an exit price), regardless of whether that price is directly observed or estimated using another valuation technique".

In addition, regard has also been given to the definition of "Market Value", described as "... The estimated amount for which an asset or liability should exchange on the valuation date, between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had acted knowledgeable, prudently, and without compulsion."

By way of background, the property was purchased by the current occupier, Knox Club, for \$11,800,000. The Directors consider this an appropriate value for the subject property as at 30 June 2020 is an amount which is consistent with the purchase price of \$11,800,000 (exclusive of GST).

As the Club is currently undergoing a substantial redevelopment, a valuation will be undertaken upon completion of this redevelopment.

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the prior and current financial years are as follows:

	Land \$	Buildings \$	Other Site Improvements \$	Site Improvements \$	Capital Works In Progress	Plant & Equipment \$	Gaming Plant & Equipment \$	Furniture & Fittings \$	Motor Vehicles \$	Leased Assets \$	Right of Use Assets &	Total \$
Balance at 1 July 2018	7,260,000	3,000,000	1,540,000	29,181	63,471	120,566	9,335	143,275	11,940	13,065	-	12,190,833
Additions	-	-	-	4,760	213,796	22,951	-	2,000	3,275	51,826	-	298,608
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and Amortisation Expense	-	-	-	(5,261)	-	(29,857)	(3,072)	(35,452)	(11,378)	(17,785)	-	(102,805)
Balance at 30 June 2019	7,260,000	3,000,000	1,540,000	28,680	277,267	113,660	6,263	109,823	3,837	47,106	-	12,386,636
Initial Recognition of AASB 16	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	2,308,658	15,052	-	251	-	-	3,877,354	6,201,315
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-	(47,106)	47,106	-
Depreciation and Amortisation Expense	-	-	-	(3,703)	-	(32,269)	(3,072)	(32,318)	(1,703)	-	(496,306)	(569,371)
Balance at 30 June 2020	7,260,000	3,000,000	1,540,000	24,977	2,585,925	96,443	3,191	77,756	2,134	-	3,428,154	18,018,580

KNOX CLUB
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
NOTE 12: INTANGIBLE ASSETS		
Software	64,309	64,309
Less: Accumulated Amortisation	<u>(62,873)</u>	<u>(62,196)</u>
	1,436	2,113
Capitalised Purchase Costs	44,015	44,015
Less: Accumulated Amortisation	<u>(43,733)</u>	<u>(34,936)</u>
	282	9,079
Gaming Machine Entitlements (2012-2022)	2,612,464	2,612,464
Gaming Machine Entitlements (2022-2032)	3,781,360	3,781,360
Less: Accumulated Amortisation	<u>(2,057,661)</u>	<u>(1,796,416)</u>
	4,336,163	4,597,408
TOTAL INTANGIBLE ASSETS	<u><u>4,337,881</u></u>	<u><u>4,608,600</u></u>

Reconciliations of the carrying amounts of Intangible Assets at the beginning and end of the current year is set out below.

		<i>Intangible Assets</i>	<i>TOTAL</i>
		\$	\$
2019			
Balance at 1 July 2018		1,192,898	1,192,898
Plus Additions		3,686,826	3,686,826
Less Disposals		-	-
Less Amortisation		<u>(271,124)</u>	<u>(271,124)</u>
Balance at 30 June 2019		<u><u>4,608,600</u></u>	<u><u>4,608,600</u></u>
2020			
Plus Additions		-	-
Less Disposals		-	-
Less Amortisation		<u>(270,719)</u>	<u>(270,719)</u>
Balance at 30 June 2020		<u><u>4,337,881</u></u>	<u><u>4,337,881</u></u>

In 2011, the Club purchased Gaming Machine Entitlements for 100 machines, for 10 years, commencing August 2012. Since February 2018, the Club has paid a 5% deposit to the Victorian State Government, for 10 year entitlements, commencing August 2022. Payment of the balance of 95% (\$3,592,292) will commence in August 2022, repayable in equal instalments, on a quarterly basis over 7 years. Refer Note 16 for Loan details.

	2020	2019
	\$	\$
NOTE 13: TRADE AND OTHER PAYABLES		
Trade Creditors	147,454	472,634
Amounts Payable to ATO	-	237,057
Accrued Expenses	53,989	77,559
Other Creditors	<u>98,851</u>	<u>67,709</u>
TOTAL TRADE AND OTHER PAYABLES	<u><u>300,294</u></u>	<u><u>854,959</u></u>

KNOX CLUB
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
NOTE 14: PROVISIONS			
CURRENT			
Income Tax Provision	(7)	1,167	52,168
Employee Benefits	(15)	249,388	317,753
		<u>250,555</u>	<u>369,921</u>
NON CURRENT			
Employee Benefits	(15)	80,976	60,896
		<u>80,976</u>	<u>60,896</u>
TOTAL PROVISIONS		<u><u>331,531</u></u>	<u><u>430,817</u></u>
NOTE 15: EMPLOYEE BENEFITS			
CURRENT			
Annual Leave		120,704	152,540
Long Service Leave		128,684	165,213
		<u>249,388</u>	<u>317,753</u>
NON CURRENT			
Long Service Leave		80,976	60,896
		<u>80,976</u>	<u>60,896</u>
TOTAL EMPLOYEE BENEFITS		<u><u>330,364</u></u>	<u><u>378,649</u></u>
NOTE 16: INTEREST BEARING LIABILITIES			
CURRENT			
Lease Liabilities - Motor Vehicles		10,308	9,845
Lease Liabilities - TGS Contract		53,839	
Bank Loan		-	-
		<u>64,147</u>	<u>9,845</u>
NON CURRENT			
Lease Liabilities - Motor Vehicles		27,056	37,399
Lease Liabilities - TGS Contract		3,420,910	
Victorian State Government - Electronic Gaming Machine Entitlements		3,592,292	3,592,292
Bank Loans		7,148,429	5,238,725
		<u>14,188,687</u>	<u>8,868,416</u>
TOTAL INTEREST BEARING LIABILITIES		<u><u>14,252,834</u></u>	<u><u>8,878,261</u></u>

KNOX CLUB
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 16: INTEREST BEARING LIABILITIES (Continued)

The Company has two Business Flexi Loans with the Bendigo and Adelaide Bank Limited.
 Facility 1 - Bendigo Business Flexi Loan is for 12 months, interest only from 11 November 2019 and
 Facility 2 - Commercial Flexi Loan of \$4,000,000 - interest only has been extended till 5 October 2020.
 The Loans are secured by 1st Registered All Monies Mortgage over the property at 480 Boronia Road,
 Wantirna South, as well as General Security Deed over all property (including Liquor Licence and Gaming Machine
 Entitlements) of the Company.

The Company holds a lease with the Bendigo and Adelaide Bank Limited for a Bus. The terms are monthly repayments
 for 36 months, from 15 December 2018. The lease is secured by a charge over the asset.

The Company has recognised a Right of Use Asset and corresponding Lease Liability for the TGS Gaming Machines & Services
 Contract upon initial application of AASB 16: Leases. This contract has an expiry date of 30 June 2027 and was previously
 recognised as an Operating Commitment in Note 24.

The Company has purchased Gaming Entitlements (refer note 12), operative from August 2022, from the Victorian State
 Government. The amount represents the balance due (95%) of the Entitlement purchase amount.

	Note	2020 \$	2019 \$
NOTE 17: MOVEMENTS IN EQUITY			
(a) Reserves			
<i>Financial Assets Available for Sale Revaluation Reserve</i>			
Balance at the beginning of the reporting period		5,650	5,690
Valuation gain/(loss) recognised		(4,160)	(40)
Cumulative (gain)/loss transferred to Income Statement on impairment of financial assets		-	-
Total Reserves		1,490	5,650
(b) Retained Earnings			
Balance at 1 July		8,004,610	6,961,541
Net Result for the Period		273,858	1,043,069
Balance at 30 June		8,278,468	8,004,610
Total Equity		8,279,958	8,010,260

NOTE 18: RECONCILIATION OF CASH

For Statement of Cash Flows purposes, Cash and Cash Equivalents comprise the following at 30 June:

	2020 \$	2019 \$
Operational Funds (Refer Note 8)	196,731	872,474
Monies - Associated Clubs (Refer Note 8)	32,059	33,828
TOTAL CASH	228,790	906,302

KNOX CLUB
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
NOTE 19: RECONCILIATION OF CASH FLOWS FROM OPERATIONS WITH NET RESULT		
Net Result	273,858	1,043,069
Depreciation & Amortisation	840,090	373,929
Decrease/(Increase) in Trade & Other Receivables	(355,070)	(25,531)
Decrease/(Increase) in Prepayments	43,152	(8,495)
Decrease/(Increase) in Inventories	1,151	(5,363)
Increase/(decrease) in Trade & Other Payables	(554,665)	(38,945)
Increase/(decrease) in Provisions	(99,286)	100,980
NET CASH FLOWS FROM OPERATING ACTIVITIES	149,230	1,439,644

NOTE 20. AUDITORS' REMUNERATION

Amounts received or due and receivable by auditors for:
- auditing the accounts

	13,200	12,350
Total Auditor's Remuneration	13,200	12,350

NOTE 21. SEGMENT INFORMATION

The principal activities of the company during the financial year were the operation of a licensed social, recreational, and sporting club in Victoria only.

NOTE 22: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Board of Management was not aware of any contingent assets or liabilities as at 30 June 2020.

NOTE 23: EVENTS AFTER THE BALANCE SHEET DATE

Since balance date, the state of affairs in Victoria resulting from the COVID-19 pandemic have become progressively worse, including the declaration of a "State of Disaster" for Victoria, causing Stage 4 restrictions in the Victorian capital of Melbourne and a return to Stage 3 restrictions for the rest of the state. The effect of these events and measures cannot be reliably measured or determined.

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

KNOX CLUB
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
NOTE 24: COMMITMENTS		
<i>Lease Commitments</i>		
Payable		
- Not longer than 1 year	64,147	9,845
- Later than 1 year but not later than 5 years	2,620,764	37,399
- Later than 5 years	827,202	-
	<u>3,512,113</u>	<u>47,244</u>

Capital Commitments

- Refurbishment and Extension - Contract with DBG Projects

In November 2019, the Company entered into a building contract with DBG Projects Pty Ltd, valued at \$2,902,618 (Ex GST) for renovations and extensions of the existing premises.

The practical completion date for this project, prior to the impacts of the COVID-19 Pandemic, was September 2020.

The impact that the pandemic has had on this date are immeasurable at present, however the Directors are of the opinion that the entirety of the contract will be executed in the 2020-21 Financial Year.

Guarantees

The company is limited by guarantee. If the company is wound up the Memorandum of Association states that each member is required to contribute a maximum of \$20 each towards meeting any outstanding obligations of the company.

NOTE 25: KEY MANAGEMENT PERSONNEL COMPENSATION	2020	2019
	\$	\$
COMMITTEE HONORARIUM		
represented by amounts provided for this year:		
Mr Brian Asley (President)	3,000	3,000
Mr John Croughan (Vice President)	2,000	2,000
Teresa West	3,000	3,000
Andrew Jensen	3,000	3,000
Leon Mackie	2,000	2,000
Laurie Tucker	2,000	2,000
	<u>15,000</u>	<u>15,000</u>

Related party transactions

Related Parties.

During the year, an associate of Teresa West was paid by the Knox Club for provision of Karaoke services.

23,200	36,520
<u>23,200</u>	<u>36,520</u>

KNOX CLUB
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 26: FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

Knox Club's principal financial instruments comprise of deposits with banks, short term investments, accounts receivable and payable, other financial assets, other financial liabilities and interest bearing liabilities. Statutory receivables and payables are excluded from these values.

The totals 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.

	Note	Carrying Amount	Carrying Amount
		2020 \$	2019 \$
Financial Assets			
Cash & Cash Equivalents	(8)	249,205	941,655
Trade and Other Receivables	(9)	356,900	134,677
<i>Available For Sale Investments:</i>			
Equity Investments	(10)	13,640	17,800
Total Financial Assets		619,745	1,094,132
Financial Liabilities			
At amortised cost			
Trade Creditors	(13)	147,454	472,634
Interest Bearing Liabilities	(16)	14,252,834	8,878,261
Total Financial Liabilities		14,400,288	9,350,895

Financial Risk Management Policies

The Company's Committee is responsible for, among other issues, monitoring and managing financial risk exposures of the Company.

Specific Financial Risk Exposures and Management

The main risk the Company is exposed to through its financial instruments is market risk relating to interest rate risk.

There have been no substantive changes in the types of risks the Company is exposed to and how these risks arise.

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Company.

The Company does not have any material credit risk exposures.

Credit risk exposures

The maximum exposure to credit risk, by class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the Statement of Financial Position.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality.

The Company has no significant concentration of credit risk exposure to any single counterparty or group of counterparties.

KNOX CLUB
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 26: FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity Risk

Liquidity risk arises from the possibility that Knox Club might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. Knox Club manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities; and
- only investing surplus cash with major financial institutions.

The table below discloses the contractual maturity analysis for Knox Club's financial liabilities.

Financial liability and financial assets maturity analysis

Financial Liabilities due for payment	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Trade Creditors	147,454	472,634	-	-	-	-	147,454	472,634
Interest Bearing Liabilities	64,147	9,845	7,175,485	5,276,124	3,592,292	3,592,292	10,831,924	8,878,261
Total contractual outflows	211,601	482,479	7,175,485	5,276,124	3,592,292	3,592,292	10,979,378	9,350,895
Total expected outflows	211,601	482,479	7,175,485	5,276,124	3,592,292	3,592,292	10,979,378	9,350,895
Financial assets - Cash flow realisable								
Cash & Cash Equivalents	249,205	941,655	-	-	-	-	249,205	941,655
Trade & Other Receivables	356,900	134,677	-	-	-	-	356,900	134,677
Available For Sale Investments	13,640	17,800	-	-	-	-	13,640	17,800
Total anticipated inflows	619,745	1,094,132	-	-	-	-	619,745	1,094,132
Net (outflow)/inflow on financial instruments	408,144	611,653	(7,175,485)	(5,276,124)	(3,592,292)	(3,592,292)	(10,359,633)	(8,256,763)

KNOX CLUB
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 26: FINANCIAL INSTRUMENTS (Continued)

(c) Market Risk

(i) Interest rate risk

The financial assets of Knox Club are not exposed to any significant interest rate risk since cash balances are maintained at various fixed interest rates.

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that are used.

The interest rate exposure on the debt portfolio is managed by appropriate budgeting strategies and by managing in accordance with target maturity profiles.

(ii) Price risk

Price risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Knox Club is exposed to insignificant foreign currency risk and other price risks.

Sensitivity analysis

The following table illustrates sensitivities to the Company's exposure to changes in interest rates. The table indicates the impact on how profit at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

- A parallel shift of + 1% and -2% in market interest rates (AUD).

	Interest rate risk					Interest rate risk				
	-2 %		+1%		2019	-2 %		+1%		
	2020	-200 basis points	+100 basis points			-200 basis points	+100 basis points			
	\$	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	
		\$	\$	\$	\$	\$	\$	\$	\$	
Financial Assets:										
Cash at Bank	249,205	(4,985)	(4,985)	2,492	2,492	941,655	(18,833)	(18,833)	9,417	9,417
Trade and Other Receivables	356,900	-	-	-	-	134,677	-	-	-	-
Available for Sale Investments	13,640	-	-	-	-	17,800	-	-	-	-
Financial Liabilities:										
Trade Creditors	147,454	-	-	-	-	472,634	-	-	-	-
Interest Bearing Liabilities	14,252,834	285,057	285,057	(142,528)	(142,528)	8,878,261	177,564	177,564	(88,783)	(88,783)

No sensitivity analysis has been performed on foreign exchange risk as the Company is not exposed to foreign currency fluctuations.

KNOX CLUB
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 26: FINANCIAL INSTRUMENTS (Continued)

Net Fair Values

Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying values as presented in the Statement of Financial Position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Company. Most of these instruments which are carried at amortised cost (i.e. trade receivables, loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Company.

Net Fair Value

	Carrying Amount 2020 \$	Carrying Amount 2019 \$	Net Fair Value 2020 \$	Net Fair Value 2019 \$
Financial Assets				
Cash at Bank	249,205	941,655	249,205	941,655
Trade and other receivables	356,900	134,677	356,900	134,677
Available for Sale Investments	13,640	17,800	13,640	17,800
Total Financial Assets	619,745	1,094,132	619,745	1,094,132
Financial Liabilities				
Trade Creditors	147,454	472,634	147,454	472,634
Interest Bearing Liabilities	14,252,834	8,878,261	14,252,834	8,878,261
Total Financial Liabilities	14,400,288	9,350,895	14,400,288	9,350,895

NOTE 27: FAIR VALUE MEASUREMENT

The Company measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition

- available-for-sale financial assets; and
- land, buildings and other site improvements

The Company does not subsequently measure any liabilities at fair value on a recurring basis, or any asset or liabilities at fair value on a non-recurring basis.

AASB 13 *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

- Quoted prices in active markets for identical assets and liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

The following tables provide the fair values of the Company's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

2020	Level 1	Level 2	Level 3	Total
Financial Assets				
Available for Sale Investments	13,640	-	-	13,640
Total financial assets recognised at fair value	13,640	-	-	13,640
Non-financial Assets				
Land, Buildings and Other Site Improvements	-	-	11,800,000	11,800,000
Total financial assets recognised at fair value	-	-	11,800,000	11,800,000
2019	Level 1	Level 2	Level 3	Total
Financial Assets				
Available for Sale Investments	17,800	-	-	17,800
Total financial assets recognised at fair value	17,800	-	-	17,800
Non-financial Assets				
Land, Buildings and Other Site Improvements	-	-	11,800,000	11,800,000
Total financial assets recognised at fair value	-	-	11,800,000	11,800,000

KNOX CLUB
A.B.N.70 004 833 701

DIRECTORS' DECLARATION


In accordance with a resolution of the directors of the Knox Club Ltd, the directors declare that:

1. The financial statements and notes are in accordance with the *Corporations Act 2001* and:


- a) comply with Accounting Standards and the Corporations Regulations 2001; and
- b) give a true and fair view of the company's financial position as at 30 June 2020 and of the performance for the year ended on that date;

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



DIRECTOR



DIRECTOR

Dated this 23rd day of October 2020.

LDB Audit Services Pty Ltd
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Working as One

Knox Club
A.B.N 70 004 833 701

Independent Audit Report to the members of Knox Club

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Knox Club, which comprises the statement of financial position as at 30 June 2020, the statement of 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 2020 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Responsibilities of Directors for the Financial Report

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

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

LDB Audit Services Pty Ltd

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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.

LDB Audit Services Pty Ltd

LDB Audit Services Pty Ltd

1 3 Albert Street

BLACKBURN VIC 3130

Hilton Miller
Director

Dated this 26th day of October 2020