



MAYFIELD EX-SERVICES CLUB LIMITED



## FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

ABN 82 000 995 602

( A COMPANY LIMITED BY A GUARANTEE NOT HAVING SHARE CAPITAL )



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## NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given of the Annual General Meeting of MAYFIELD EX SERVICES CLUB LIMITED to be held on Sunday, 13 October 2019 commencing at the hour of 9:00am at the premises of the Club, 58 Hanbury Street, Mayfield, New South Wales.

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### BUSINESS

The business of the meeting will be as follows:

1. To confirm the minutes of the previous Annual General Meeting and the minutes of any other general meeting that require confirmation.
2. To receive and consider the directors' report, financial report, auditor's report and any other report of the Board. These reports are available on the Club's website [www.mexclub.com.au](http://www.mexclub.com.au).
3. To conduct the election of directors as required by the Club's Constitution.
4. To appoint a Returning Officer.
5. To consider the Ordinary Resolutions set out below (which relate to director expenses and honorariums).
6. To deal with any other business that may be dealt with at the Annual General Meeting.

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### CLUB PROPERTY REPORT

Pursuant to Section 41J(2) of the *Registered Clubs Act*, for the financial year ended 30 June 2014, the Club's property at:

- (a) 58 Hanbury Street Mayfield NSW is core property of the Club
- (b) 72 Hanbury Street Mayfield NSW is non-core property of the Club
- (c) 74 Hanbury Street Mayfield NSW is non-core property of the Club
- (d) 26 Baker Street Mayfield NSW is non-core property of the Club
- (a) 28 Baker Street Mayfield NSW is non-core property of the Club

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### 1 ORDINARY RESOLUTION

That:

- (a) The members hereby approve expenditure by the Club not exceeding \$60,000.00 until the next Annual General Meeting of the Club for the following:
  - (i) The reasonable costs of directors attending seminars, lectures and other educational activities as determined by the Board from time to time.
  - (ii) The reasonable costs (including travel and accommodation expenses) of directors attending meetings, conferences and trade shows conducted by ClubsNSW, the Club Managers Association and such other conferences and trade shows as determined by the Board from time to time.
  - (iii) The reasonable cost of directors attending any other registered club or gaming venue for the purpose of viewing and assessing its facilities as determined by the Board as being necessary for the benefit of the Club.
  - (iv) The reasonable cost of directors (and their spouses/partners if required) attending any club, community or charity function as the representatives of the Club and authorised by the Board to do so.
  - (v) The reasonable out of pocket expenses incurred by directors in relation to carrying out their duties directly relating to club affairs approved by the Board on production of documentary evidence of such expenditure.
- (a) The members acknowledge that the benefits in paragraph (a) are not available for members generally but are only for those who are directors of the Club.

#### Notes to Members on First Ordinary Resolution

1. The First Ordinary Resolution is to have the members in general meeting approve expenditure by the Club for directors to attend seminars, lectures, trade displays and other similar events to be kept abreast of current trends and developments which may have a significant bearing on the Club and for other out of pocket expenses.



**Procedural Matters**

1. To be passed, the First Ordinary Resolution must receive votes from not less than a majority of those members who being eligible to do so vote in person on the First Ordinary Resolution at the meeting.
2. The Registered Clubs Act provides that:
  - (a) members who are employees of the Club are not entitled to vote; and
  - (b) proxy voting is prohibited.

**2 ORDINARY RESOLUTION**

That the members hereby approve:

- (a) the payment of the following honorariums:

(i) President	-	\$4,000.00 per annum
(ii) Senior Vice President	-	\$2,500.00 per annum
(iii) Junior Vice President	-	\$2,000.00 per annum
(iv) Ordinary Board Members	-	\$1,500.00 per annum
- (b) the honorariums to be paid on a pro rata basis by such instalments as may be agreed from time to time.

**Notes to Members on Second Ordinary Resolution**

1. The Second Ordinary Resolution is to have members approve honorariums for the President, Senior Vice President, Junior Vice President and Ordinary Board members.
2. The Honorariums will be paid on a pro rata basis which means that if a director only holds office for part of the year, the director will only receive part of the honorarium.

**Procedural Matters**

3. To be passed, the Second Ordinary Resolution must receive votes from not less than a majority of those members who being eligible to do so vote in person on the Second Ordinary Resolution at the meeting.
4. The Registered Clubs Act provides that:
  - (a) members who are employees of the Club are not entitled to vote; and
  - (b) proxy voting is prohibited.

Dated: \_\_\_\_\_ By direction of the Board

\_\_\_\_\_  
Greg Luck  
General Manager



**PRESIDENT'S REPORT 2019**

Another year has passed and I am proud to have served as your President for a full term.

Sadly, this year saw the passing of another loyal servant of the club in the passing of Life Member Brian Fishlock.

Brian served over 20 years as a President and Board Member and took a keen interest in the club.

The market in our industry continues to be a highly competitive one and reports note that many clubs in the Newcastle and Hunter Region have shown significant declines.

I will again leave the detailed reporting on the financials to the Accountants and Managers both in this report and at the Annual General Meeting.

The club once again assisted local Community Organisations and charities/sporting groups by close to \$100,000.00 last year and will continue to do so.

In relation to the possible redevelopment of properties owned by the club adjacent to our car park, the developer Mavid Pty Ltd, have lodged a Development Application with Newcastle City Council in March 2019 and it will take its course through the system.

A snapshot of the timeline is as follows:

- Development Application Approved by Council
- Developer will uptake call option and hand cheque for \$2,020,000.00 to our bank in exchange for the title deeds to our properties.
- Developer will build the unit complex and on completion hand to our bank the title deeds to 8 (eight units) transferred to the club's name, bank will refund the \$2,020,000.00 to the developer
- The units will increase the club's asset base from the current \$2million to over \$3.2million and increase our rental income substantially
- Most importantly there is no joint venture and the club will not be exposed to any risk whatsoever for building and holding costs.

A big thank you to my fellow Directors for their time and effort during the year. Also, to our staff and managers our thanks and appreciation.

Most importantly thank you to our valued members who continue to contribute to the future of the club

To all members who have lost a loved one during the year please accept the sincere condolences of the club and its members.

**Rex Jones**  
**Club President**



## GENERAL MANAGER'S REPORT 2019

The last twelve months have proved a difficult time for Registered Clubs in general.

The battle for the entertainment dollar across all departments in our industry is getting more competitive every year with down-turns in many clubs state-wide.

The last four months of trade for our club has eased the pain somewhat.

The good performance of the club over these last months is shown in the NSW state gaming data with Mayfield Ex-Services Club moving up 23 places in the net ranking - the second highest moving club in the state.

With all that said we have been able to achieve only a small EBITDA drop on last year. The financial results in this booklet indicate in detail our final result.

As stated the last four months helped the result and has carried on in the first 2 months of this financial year. Changes were made to staffing levels in that time and contributed to the result.

We have hired a marketing consultant for the first time and also introduced a guest liaison officer to give the members a better understanding of how the club is run.

The ANZ bank have acknowledged the result and signed a new loan document that stated the club will pay interest only until December 2020, before that date we have budgeted to pay \$5,000,000.00 of the loan to reduce our debt.

The club is in a very good financial position with our cash reserves growing steadily but still has to grow to be comfortable and with this in mind you will note in the Presidents report details of the units that are being built next door.

The club will increase our asset base by a minimum of \$1.2 million dollars with no risk involved. Rental income from new units is projected to increase above and beyond current rental income being received. It is hoped the occupants of the 48 units will also become members and clients of the club.

Our Mex reward program has grown again this year with every member having the chance to be rewarded for every dollar they spend in the club. To explain how it works would take 20 pages but to simplify the process, every member gets the chance to receive up to 4% back on money spent inside the club. Most reward programs run at up to 2.5% so Mex club is giving more back to the members than most of our competitors.

Music has come back to the Mex in a big way with the introduction of Thursday night music and in the coming months Friday nights will start with soloists. Friday nights will be revamped completely to hopefully create an even more enjoyable atmosphere for everyone.

Our club grant donation is getting closer to \$100,000.00 a year to help the community - the benefactors are listed on the back cover of the magazine.



Membership has grown again this year which means we must be doing something right, this wouldn't be achievable without the excellent customer service provided by the best staff in Newcastle.

Having two different food outlets also helps bring new people to enjoy the atmosphere of the Mex. While the majority of our membership comes from the 2304 postcode, we now draw members from as far west as Greta to Nelson Bay in the north and Swansea to the south. The Mex is becoming a destination for all Newcastle people.

Arguably the main reason the Mex is going well, is you the members. Take a look at all the smiling faces in the middle of the magazine and see who makes the atmosphere inside the club.

If you promote the club and you make it a great place to be, other people will follow. I said it last year and I will say it again - the Mex Club has the best membership and staff anywhere.

In closing none of this year's results could have been achieved without the support of President Rex Jones and his board - thanks for all your support.

Meet you at the Mex!

**Greg Luck**

**Greg Luck**  
**General Manager**



**MAYFIELD EX SERVICES CLUB LIMITED**  
**(ACN 000 995 602)**

**FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2019**

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The financial report was authorised for issue by the Directors on 28 August 2019. The Company has the power to amend and re-issue the financial report.



**DIRECTORS' REPORT**

Your Directors present their report for the financial year ended 30 June 2019.

**1. Directors**

The names of the Directors in office at the date of this report are:

<b>Name</b>	<b>Position</b>	<b>Experience and Qualifications</b>	<b>Years Service</b>
Rex Jones	President	Worked in Defence Force.	14
Damien Horan	Senior Vice President	Currently working as an aircraft maintenance engineer. Previously worked as a police officer. Qualification obtained include Diploma of Policing and Certificate IV in Aeroskills.	6
Wes Ting	Junior Vice President	Previously worked as a switchboard operator.	17
Lyle Chapman	Director	Worked as a carpenter and joiner.	20
Phillip Hicks	Director	Worked as a police officer	13
Mervyn Nichols	Director	Previously worked as a store supervisor. Also a Director of Mayfield West Bowling Club.	8
Robert Simpson	Director	Worked as both a bar manager and a photojournalist.	7
Richard Clarke	Director	Worked in hospitality.	1 - Elected at AGM
Terence Ting	Director	Worked as a salesman.	1 - Elected at AGM

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

**2. Activities**

The principal activities of the Company in the course of the financial year ended 30 June 2019 were the running of a licensed Club for the benefit of its members and to meet the Company's objectives under its constitution.

**3. Objectives of the Company**

The Company's short and long term objectives are to;

Provide the best facilities available to members and their guests with a special interest in the welfare of the returned service league.

To achieve these objectives the Company has adopted the following strategies;

Maintain or increase existing revenue levels and control costs to return to profitability which will allow the Company's premises to be continually improved.

These strategies are measured through both financial and non financial key performance indicators that have been developed relevant to the Club industry.

**4. Auditor's Independence Declaration**

The auditor's independence declaration for the year ended 30 June 2019 has been received and is set out on page 4 of the financial report.

DFK Crosbie continues to hold office in accordance with Section 307 of the Corporations Act. The Company may decide to engage the auditor in addition to their statutory audit where the auditor's expertise and experience with the Company is important.

**5. Limited by 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 obligations of the Company. At 30 June 2019 the collective liability of members was \$22,206 (2018 \$22,526).



**MAYFIELD EX SERVICES CLUB LIMITED**  
**(ACN 000 995 602)**

**DIRECTORS' REPORT**

**6. Results**

The net result of operations after applicable income tax was a loss of \$340,698 (2018 profit of \$36,459).

	2019	2018	Change
	\$	\$	\$
Revenue from Bar, Paper Gaming and Poker Machine Operations	6,400,566	6,372,468	28,098
Other Revenue excluding fair value increase	864,198	877,643	(13,445)
Total Trading Revenue	7,264,764	7,250,111	14,653
Expenses excluding Interest, Depreciation and Amortisation	(6,190,807)	(6,089,975)	(100,832)
EBITDA	1,073,957	1,160,136	(86,179)
Fair value increase	-	250,000	(250,000)
Depreciation, Amortisation, Profit and Loss on Disposal	(1,088,449)	(1,058,042)	(30,407)
Interest Expenses and Finance Costs	(326,206)	(315,635)	(10,571)
Net Profit / (Loss) for the year	(340,698)	36,459	(377,157)
Operating Cashflow	716,550	910,637	(194,087)

The Company has again returned a strong EBITDA result, although this has declined compared to the previous year. The revenue increase from poker machines has been offset by decreases in bar sales and paper gaming commissions. Other revenue has also decreased slightly. Expenses have increased predominately due to an increase in gaming duty from the higher revenue received. After consideration of depreciation and interest costs, the net result shows a loss for the year of \$340,698.

**7. Meeting Attendances**

The number of Board meetings held during the financial year ended 30 June 2019 was 12, being 12 normal Board meetings. The details of each Directors attendance at those meetings is given below:-

<u>Director</u>	<u>Normal</u>	<u>No. Held while in Office</u>
Rex Jones	12	12
Damien Horan	9	12
Wes Ting	9	12
Lyle Chapman	12	12
Phillip Hicks	11	12
Mervyn Nichols	11	12
Robert Simpson	12	12
Richard Clarke (Elected at AGM)	8	9
Terence Ting (Elected at AGM)	8	9
Brett Hyham (Resigned at AGM)	3	3

The Club's Annual General meeting was held on 7 October 2018.

**8. Property Report**

The Directors have determined that all property of the Club shall be classified as follows in accordance with Section 41J of the Registered Clubs Act 1976.

Core Property	
- 50-58 Hanbury Street, Mayfield NSW 2304	
Non Core Property	
- 70 Hanbury Street, Mayfield NSW 2304	- 26 Baker Street, Mayfield NSW 2304
- 74 Hanbury Street, Mayfield NSW 2304	- 28 Baker Street, Mayfield NSW 2304

Signed in accordance with a resolution of the Board of Directors

R. Jones - President

Date: 28 August 2019

D. Horan - Senior Vice President



**AUDITOR'S INDEPENDENCE DECLARATION**  
**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**  
**TO THE DIRECTORS OF**  
**MAYFIELD EX SERVICES CLUB LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 there have been:

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

*Kirsty Porteous*  
Kirsty Porteous - Partner

*DFK Crosbie Partners*  
DFK Crosbie Partners  
Chartered Accountants

Date: 28 August 2019  
Newcastle West, NSW



**MAYFIELD EX SERVICES CLUB LIMITED**  
**(ACN 000 995 602)**

**INDEPENDENT AUDIT REPORT TO MEMBERS**

To the Members of Mayfield Ex Services Club Limited

**Opinion**

We have audited the financial report of Mayfield Ex Services Club Limited (the Company), which comprises the statement of financial position as at 30 June 2019 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cashflows for the year then ended, including a summary of significant accounting policies, other explanatory notes and the Directors' declaration.

In our opinion, the accompanying financial report of Mayfield Ex Services Club Limited is in accordance with the Corporation Act 2001, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Regulations 2001.

**Basis for Opinion**

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

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

**Information Other than the Financial Report and Auditor's Report Thereon**

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

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



**MAYFIELD EX SERVICES CLUB LIMITED**  
**(ACN 000 995 602)**

**INDEPENDENT AUDIT REPORT TO MEMBERS**

**Responsibilities of the Directors for the Financial Report**

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

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

**Matters relating to the electronic presentation of the audited financial report**

The auditor's report relates to the financial report of the Company for the year ended 30 June 2019 included on the Company's web site. The Company's Directors are responsible for the integrity of the Company's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

**Auditor's Responsibilities for the Audit of the Financial Report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our audit report.

Kirsty Porteous - Partner

DFK Crosbie Partners  
Chartered Accountants

Date: 28 August 2019  
Newcastle West, NSW



**DIRECTORS' DECLARATION**

The Directors of the Company declare that:

- 1 The financial statements and notes, as set out on pages 8 to 20 are in accordance with the Corporations Act 2001 including:
  - (a) complying with Australian Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory reporting requirements; and
  - (b) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance for the year ended on that date.
- 2 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 and signed for on behalf of the Directors by:

R. Jones - President

D. Horan - Senior Vice President

Date: 28 August 2019



**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

	Note	2019 \$	2018 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	8	616,361	266,619
Trade Receivables	9	-	364
Inventories	10	42,083	34,646
Other Assets	11	180,222	159,158
Assets Held for Sale	12	2,020,000	2,020,000
<b>TOTAL CURRENT ASSETS</b>		<b>2,858,666</b>	<b>2,480,787</b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	13	15,487,543	16,115,225
Intangible Assets	15	125,000	125,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>15,612,543</b>	<b>16,240,225</b>
<b>TOTAL ASSETS</b>		<b>18,471,209</b>	<b>18,721,012</b>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	16	470,817	441,802
Financial Liabilities	17	6,496,216	6,366,559
Provisions	18	335,550	331,710
Other Liabilities	19	110,254	140,759
<b>TOTAL CURRENT LIABILITIES</b>		<b>7,412,837</b>	<b>7,280,830</b>
<b>NON-CURRENT LIABILITIES</b>			
Financial Liabilities	17	417,248	432,806
Provisions	18	47,278	51,939
Other Liabilities	19	18,406	39,299
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>482,932</b>	<b>524,044</b>
<b>TOTAL LIABILITIES</b>		<b>7,895,769</b>	<b>7,804,874</b>
<b>NET ASSETS</b>		<b>10,575,440</b>	<b>10,916,138</b>
<b>MEMBERS' FUNDS</b>			
Accumulated Profits		10,575,440	10,916,138
<b>TOTAL MEMBERS' FUNDS</b>		<b>10,575,440</b>	<b>10,916,138</b>





**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2019**

Note	2019 \$	2018 \$
Bar Sales	1,181,630	1,238,583
Less Cost of Goods Sold	(494,765)	(498,379)
Bar Gross Profit (\$)	686,865	740,204
Poker Machine Net Revenue	5,086,910	4,987,998
Paper Gaming Commissions	132,026	145,887
Function Revenue	1,056	4,259
Members Subscriptions	51,662	53,950
Interest Received	1,792	669
Fair Value Adjustment on Investment Properties	-	250,000
Rent Received	392,367	381,958
Raffle Income	218,732	219,522
Bingo Income	111,199	105,149
Insurance Recoveries	-	37,900
Sponsorship Income	26,086	27,109
Other Income	61,304	47,127
<b>Total Trading and Other Income</b>	<b>6,769,999</b>	<b>7,001,732</b>
<b>Expenses</b>		
Bar Direct Expenses	387,328	396,246
Poker Machine Direct Expenses	1,704,762	1,612,445
Paper Gaming Direct Expenses	93,195	89,689
Function Direct Expenses	1,557	1,087
Rental Property Expenses	19,545	11,474
Members Amenities Expenses	945,585	939,046
Clubhouse Expenses	792,973	792,304
Administration Expenses	2,839,546	2,807,347
Borrowing Expenses	326,206	315,635
<b>Total Expenses</b>	<b>7,110,697</b>	<b>6,965,273</b>
<b>Net Profit/(Loss) Before Income Tax</b>	<b>6</b> (340,698)	36,459
<b>Income Tax Benefit/(Expense) relating to ordinary activities</b>	<b>7</b> -	-
<b>Net Profit/(Loss) After Income Tax</b>	<b>(340,698)</b>	<b>36,459</b>
<b>Other Comprehensive Income</b>	-	-
<b>Total Comprehensive Income/(Loss)</b>	<b>(340,698)</b>	<b>36,459</b>

To be read in conjunction with the attached notes to the Financial Statements



**STATEMENT OF CASHFLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

Note	2019 \$	2018 \$
<b>Cash Flows from Operating Activities</b>		
Receipts from Members and Guests	7,864,638	7,915,641
Payments to Suppliers and Employees	(6,823,674)	(6,690,038)
Interest Received	1,792	669
Borrowing Costs	(326,206)	(315,635)
<i>Net Cash Flows provided by (used in) Operating Activities</i>	<u>716,550</u>	<u>910,637</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from Disposal of Plant & Equipment	16,000	24,200
Payments for Property, Plant and Equipment	(104,477)	(337,239)
<i>Net Cash Flows provided by (used in) Investing Activities</i>	<u>(88,477)</u>	<u>(313,039)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Borrowings	284,771	141,172
Repayment of Hire Purchases	(253,029)	(335,977)
Repayment of Borrowings	(310,073)	(281,928)
<i>Net Cash Flows provided by (used in) Financing Activities</i>	<u>(278,331)</u>	<u>(476,733)</u>
<b>Net Increase/(Decrease) in Cash Held</b>	349,742	120,865
<b>Cash and Cash Equivalents at the Beginning of the Financial Year</b>	266,619	145,754
<b>Cash and Cash Equivalents at the End of the Financial Year</b>	<b>8</b> <u>616,361</u>	<u>266,619</u>

To be read in conjunction with the attached notes to the Financial Statements



**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019**

	Accumulated Profits \$	Total \$
Opening Balance 1 July 2017	10,879,679	10,879,679
Net profit / (loss) after income tax	36,459	36,459
<b>Closing Balance 30 June 2018</b>	<b>10,916,138</b>	<b>10,916,138</b>
Net profit / (loss) after income tax	(340,698)	(340,698)
<b>Closing Balance 30 June 2019</b>	<b>10,575,440</b>	<b>10,575,440</b>

To be read in conjunction with the attached notes to the Financial Statements



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**1 Statement of Significant Accounting Policies**

**Basis of Preparation**

This financial report is a general purpose financial report that has been prepared in accordance with all Australian Accounting Standards - Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Mayfield Ex Services Club Limited is a not for profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report has been prepared on an accruals basis and is based on historical costs except for assets held for sale which are measured at fair value. The financial report is presented in Australian Dollars.

**Statement of Compliance**

The financial report complies with Australian Accounting Standards - Reduced Disclosure Standards as issued by the Australian Accounting Standards Board (AASB) being AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.

The following is a summary of the significant accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**Income Tax**

Income tax payable is calculated in accordance with the provisions of the Income Tax Assessment Act dealing with the Registered Clubs and Associations.

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 statement of financial position 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.

**Inventories**

Inventories are measured at the lower of cost and current replacement value.

**Trade Receivables**

Trade receivables are recognised initially at the amount of the consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The company holds the trade receivables with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost. Trade receivables are generally due within 30 days from the date of recognition.

**Trade and Other Payables**

Trade and other payables, including accruals, are recorded initially at fair value and subsequently at amortised cost. Trade and other payables are non-interest bearing. Trade accounts payable are normally settled within 30 days.

**Cash and Cash Equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less. For the purpose of the statement of cashflows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**Employee Benefits****Short Term**

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' service up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

**Other Long Term**

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage levels and period of service. Discount rates of the Australian bond rates matching the estimated future cash outflows have been used.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

**Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost less any accumulated depreciation and impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Building Improvements	10 to 40 years
Plant and Equipment	4 to 10 years
Poker Machines	4 to 8 years

**Impairment**

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash in flows, the recoverable amount is determined for the cash generating unit in which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the future economic benefits of an asset are not dependant on the asset's ability to generate net cash inflows and if deprived of the asset the Company would replace its remaining future economic benefit, value in use is determined as the depreciated replacement cost of the asset.

Impairment losses are recognised in the statement of profit or loss and other comprehensive income as an expense line item.

**Intangible Assets**

Intangible assets acquired separately are capitalised at cost, the useful lives of these intangible assets are assessed to be either infinite or indefinite. Those with finite lives are amortised over that period on a straight line basis. Intangible assets are tested for impairment annually and where an indicator for impairment exists.

**Borrowing Costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**Assets Held for Sale**

When the Company intends to sell a non-current asset or a group of assets (a disposal group), and if sale within twelve (12) months is highly probable, the asset or disposal group is classified as 'held for sale' and presented separately in the statement of financial position.

Assets classified as 'held for sale' are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some 'held for sale' assets such as financial assets, continue to be measured in accordance with the Company's accounting policy for those assets. Once classified as 'held for sale', the assets are not subject to depreciation or amortisation.

Any profit or loss arising from the sale or re-measurement of assets held for sale is presented as part of a single line item, profit or loss from assets held for sale.

**Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured.

Sales revenue comprises the revenue earned from the provision of products or services to entities outside the Company.

Rental Income is recognised in the period in which access to the property is provided.

Interest income is recognised as it accrues.

The profit or loss on disposal of an asset is brought to account at the date an unconditional contract is signed.

Revenue from membership subscriptions is recognised upon receipt of money for the period in which the membership relates.

Other revenue is recognised as it accrues.

**Goods and Services Tax**

Revenues, 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 Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense. Receivables and payables are stated with the amount of GST included. The amount of GST recoverable or payable to the ATO is included as a current asset or current liability in the statement of financial position. Cash flows are included in the statement of cashflows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from or payable to the ATO are classified as operating cash flows.

**Leases**

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets (finance lease), and operating leases under which the lessor effectively retains all such risks and benefits. Where a non current asset is acquired by means of a finance lease, the minimum lease payments are discounted at the interest rate implicit in the lease. The discounted amount is established as a non current asset at the beginning of the lease term and amortised over its expected economic life. A corresponding liability is also established and each payment is allocated between the principal component and the interest expense. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the statement of profit or loss and other comprehensive income in the periods in which they are incurred.

**Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**Hire Purchase**

Assets acquired under hire purchase or chattel mortgage agreements are brought to account at cost together with a corresponding hire purchase or chattel mortgage liability and unexpired terms charges and are depreciated on a straight line basis over their estimated economic life to the Company. Terms charges are written off over the period of the agreements.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**2 Deficiency in Working Capital**

As at balance date, current assets totalled \$2,858,666 compared to current liabilities of \$7,412,837 giving a working capital deficit of \$4,554,171. These balances include:

- Assets held for sale of \$2,020,000, which represents assets formally held by the Company as investment properties. While it is expected that the sale of these assets will occur within the next 12 months, the sale proceeds are required to be held as security by the ANZ bank and are restricted such that they can only be accessed to fund the purchase of 8 residential units in accordance with the option agreement with Hanbury Street Diggers Unit Trust (refer note 12).
- The entire balance of the ANZ Loan of \$6,025,000 is stated as a current liability due to the loan agreement containing a review clause which limits the Company from having an unconditional right to defer settlement of the loan, despite the Company having fulfilled all its obligations to the Bank to date. Of the existing loan, \$3,025,000 is due to be repaid on 31 December 2020 and \$3,000,000 on 31 December 2021. No principal repayments are required in relation to the current facilities and the Directors expect to be able to refinance the debt on acceptable terms when these facilities expire.

The Directors have determined that the going concern basis is appropriate given:

- The Company generated positive net operating cashflows of \$716,550 during the current year.
- The Company has a cash balance at 30 June 2019 of \$616,361.
- The Company has access to undrawn finance facilities from the Bank at 30 June 2019 of \$1,100,000.
- The Directors do not foresee any issues in continuing to meet the terms and conditions of its loans with the Bank and its trading terms with other financiers and creditors of the Company.
- The Directors expect cashflows going forward to continue to be strong.

It is on this basis that the Directors have determined that the going concern basis is appropriate.

**3 Corporate Details**

The registered address of the Club is 58 Hanbury Street, Mayfield NSW 2304.

**4 Significant Accounting Judgements, Estimates and Assumptions**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Significant accounting estimates and assumptions**

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

**Useful lives of property, plant and equipment**

The useful life of Property, Plant and Equipment is initially assessed at the date the asset is ready for use and reassessed at each reporting date based on the use of the assets and the period over which economic benefits will be derived from the asset. There is uncertainty in relation to the assessment of the life of the asset including factors such as the rate of wear and tear and technical obsolescence.

The useful life of Poker Machine Entitlements classified as an intangible asset has been assessed as indefinite. There is uncertainty in relation to this assumption as it is based on current legislation and conditions attached to the entitlements.

The estimates and judgements involved may impact the carrying value of the non-current assets and the depreciation and amortisation charges recorded in the Statement of Profit or Loss and Other Comprehensive Income should they change.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

	2019 \$	2018 \$
<b>5 Operating Revenue</b>		
Bar Sales	1,181,630	1,238,583
Poker Machine Net Revenue	5,086,910	4,987,998
Function Revenue	1,056	4,259
Interest Received/Receivable	1,792	669
Paper Gaming Commission	132,026	145,887
Rent Received	392,367	381,958
Fair Value Adjustment on Investment Properties	-	250,000
Members Subscriptions	51,662	53,950
Insurance Recoveries	-	37,900
Raffle Income	218,732	219,522
Bingo Income	111,199	105,149
Sponsorship Income	26,086	27,109
Other	61,304	47,127
<b>Total</b>	<b>7,264,764</b>	<b>7,500,111</b>

**6 Operating Profit**

Operating profit/(loss) before income tax is arrived at after crediting and charging the following specific items:-

**Credits**

Interest Received/Receivable	1,792	669
Profit on Sale of Assets	16,000	24,200
Fair Value Adjustment on Investment Properties	-	250,000

**Charges**

Depreciation	1,090,382	1,051,895
Loss on Sale of Assets	14,067	30,347
Interest and Finance Costs	326,206	315,635

**7 Income Tax Expense**

a) The aggregate amount of income tax attributable to the financial year differs to the amount calculated on the operating profit. The difference is reconciled as follows:-

Operating profit/(loss) before income tax	(340,698)	36,459
Income Tax thereon @ 27.5%	(93,692)	10,026
Non Deductible Expenses	14,555	14,570
Apportionment Adjustment Members Income and Expenses	78,630	44,069
Timing Differences	(11,039)	(76,079)
Carried forward losses not recognised / (recouped)	11,546	7,414
<b>Income Tax Expense/(Benefit)</b>	<b>-</b>	<b>-</b>

b) The Directors estimate that the potential Deferred Tax Asset at 30 June 2019 in respect of tax losses not brought into account is:-

	200,484	188,938
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The benefit for tax losses will only be obtained if:-

- i) the Company drives future assessable income in the nature and of amount sufficient to enable the benefit from deductions for the losses to be realised;
- ii) the Company continues to comply with the conditions for deductibility imposed by the tax legislation; and
- iii) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

	2019 \$	2018 \$
<b>8 Cash and Cash Equivalents</b>		
<b>Current</b>		
Cash and Cash Equivalents	616,361	266,619
	616,361	266,619
<b>9 Trade Receivables</b>		
<b>Current</b>		
Trade Debtors	-	364
	-	364

The Association has adopted AASB 9 Financial Instruments from 1 July 2018. AASB 9 replaces the provisions of AASB 139 relating to the recognition, classification and measurement of financial assets and financial liabilities. In accordance with the transitional provisions in AASB 9 the standard has been applied retrospectively resulting in the restatement of comparative figures. There was no impact on the measurement and recognition of the Association's financial assets resulting from the adoption of AASB 9. The Association has assessed the classification of the financial assets which has resulted in changes in the classification of the following financial assets on the statement of financial position:

- PM GST Receivable was reclassified from Trade and Other Receivables to Other Assets.  
The accounting policies in Note 1 have been updated to reflect the adoption of AASB 9.

	2019	2018
<b>10 Inventories</b>		
<b>Current</b>		
Stock on Hand - Liquor	42,083	34,646
	42,083	34,646



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

	2019 \$	2018 \$
<b>11 Other Assets</b>		
<b>Current</b>		
Prepayments	175,222	154,158
Security Deposit	5,000	5,000
	180,222	159,158
<b>12 Assets Held for Sale</b>		
<b>Current</b>		
Investment Properties	2,020,000	2,020,000
	2,020,000	2,020,000

In March 2018 management and the Board committed to a plan to sell their investment properties. A Deed of Call Option was entered into on 13 March 2018 with Hanbury Street Diggers Investments Pty Ltd as trustee for the Hanbury Street Diggers Unit Trust to undertake a residential development project. The properties have therefore been classified as assets held for sale and are carried at fair value based on the expected sale price. Once the development is complete, the Company has an option to acquire 8 of the 42 residential units for \$2,020,000.

**13 Property, Plant and Equipment**

	Capital Work in Progress	Building and Improvements	Land	Plant and Equipment	Poker Machines	Total
	\$	\$	\$	\$	\$	\$
<b>Year ended 30 June 2019</b>						
At 1 July 2018,						
Net of Accumulated Depreciation/Amortisation	16,630	12,115,617	1,050,000	1,483,950	1,449,028	16,115,225
Additions	2,889	15,513	-	256,754	201,611	476,767
Disposals	-	(7,103)	-	(4,192)	(2,772)	(14,067)
Depreciation/Amortisation	-	(487,871)	-	(200,239)	(402,272)	(1,090,382)
Transfer	-	-	-	-	-	-
At 30 June 2019						
Net of Accumulated Depreciation/Amortisation	19,519	11,636,156	1,050,000	1,536,273	1,245,595	15,487,543
<b>At 1 July 2018</b>						
Cost or Fair Value	16,630	18,592,122	1,050,000	2,242,018	4,274,469	26,175,239
Accumulated Depreciation/Amortisation	-	(6,476,505)	-	(758,068)	(2,825,441)	(10,060,014)
Net Carrying Amount	16,630	12,115,617	1,050,000	1,483,950	1,449,028	16,115,225
<b>At 30 June 2019</b>						
Cost or Fair Value	19,519	18,588,529	1,050,000	2,339,453	4,364,551	26,362,052
Accumulated Depreciation/Amortisation	-	(6,952,373)	-	(803,180)	(3,118,956)	(10,874,509)
Net Carrying Amount	19,519	11,636,156	1,050,000	1,536,273	1,245,595	15,487,543

	2019 \$	2018 \$
<b>14 Investment Properties</b>		
Opening Balance at 1 July	-	1,770,000
Net gain/(loss) from fair value adjustment	-	250,000
Transfer to Assets Held for Sale	-	(2,020,000)
Closing Balance 30 June	-	-

Due to the Deed of Call Option entered into with Hanbury Street Diggers Unit Trust (refer note 12), the investment properties were transferred to assets held for sale in the 2018 year.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

	2019 \$	2018 \$
<b>15 Intangible Assets</b>		
<b>Non Current</b>		
Poker Machine Entitlements	125,000	125,000
	<u>125,000</u>	<u>125,000</u>
<b>16 Trade and Other Payables</b>		
<b>Current</b>		
Trade Creditors	173,851	173,560
Sundry Creditors	190,086	169,458
GST Payable	106,880	98,784
	<u>470,817</u>	<u>441,802</u>
<b>17 Financial Liabilities</b>		
<b>Current</b>		
Hire Purchase Liability	243,918	264,946
ANZ Loan	6,025,000	5,933,550
Insurance Loan	102,719	82,350
Chattel Mortgage Liability	124,579	85,713
	<u>6,496,216</u>	<u>6,366,559</u>
<b>Non Current</b>		
Hire Purchase Liability	92,666	210,628
Chattel Mortgage Liability	324,582	222,178
	<u>417,248</u>	<u>432,806</u>
Refer Note 21 for Security Details		
<b>18 Provisions</b>		
<b>Current</b>		
Provision for Annual Leave	225,010	211,710
Provision for Long Service Leave	80,842	97,959
Provision for Linked Jackpot	29,698	22,041
	<u>335,550</u>	<u>331,710</u>
<b>Non Current</b>		
Provision for Long Service Leave	47,278	51,939
	<u>47,278</u>	<u>51,939</u>
<b>19 Other Liabilities</b>		
<b>Current</b>		
Deposits	62,900	62,900
Sponsorship Income in Advance	28,360	28,999
Income in Advance	18,994	48,860
	<u>110,254</u>	<u>140,759</u>
<b>Non Current</b>		
Sponsorship Income in Advance	-	21,017
Income in Advance	18,406	18,282
	<u>18,406</u>	<u>39,299</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

	2019 \$	2018 \$
<b>20 Commitments for Expenditure</b>		
<b>Capital Commitments</b>		
The Club has the following capital commitments:		
Poker Machines	191,296	-
Air Conditioner System	32,430	222,100
	<u>223,726</u>	<u>222,100</u>
<b>Non Cancellable Rental Agreements</b>		
Total commitments in respect of rental agreements are as follows:-		
Not later than one year	20,100	28,230
Later than one year and not later than five	-	20,100
	<u>20,100</u>	<u>48,330</u>
<b>Other Commitments</b>		
Under the terms of the Deed of Amalgamation with Waratah Mayfield R.L.F.C. the Company has a commitment to pay \$10,000 p.a. to the R.L.F.C. until June 2022.		
<b>21 Security &amp; Financing Facilities</b>		
To fund the renovation of the Club in 2017, the Company arranged a loan facility with the ANZ bank. The facility limit (fully drawn) on the loan is \$6,025,000, with an additional finance facility available for asset finance of \$1,000,000, PayAway facility of \$50,000 and also a credit card facility of \$100,000. These finance facilities have been secured by the following:		
- First Registered Mortgage over 50-58 Hanbury Street, Mayfield, NSW		
- First Registered Mortgage over 70 Hanbury Street, Mayfield, NSW		
- First Registered Mortgage over 74 Hanbury Street, Mayfield, NSW		
- First Registered Mortgage over 26 Baker Street, Mayfield, NSW		
- First Registered Mortgage over 28 Baker Street, Mayfield, NSW		
The hire purchase arrangements are secured over the goods financed.		
<b>22 Related Parties</b>		
<b>Directors</b>		
The names of persons who were Directors of the Company at any time during the year are as they appear in the attached Directors Report.		
Directors, Mr Rex Jones and Mr Robert Simpson each lease an investment property from the Company under normal commercial terms and conditions.		
	2019 \$	2018 \$
Key Management personnel received the following benefits during the financial year:		
Short Term Employment benefits	303,129	303,096
Long Term Employment benefits	7,453	8,821
Post Employment benefits	29,349	28,271
	<u>339,931</u>	<u>340,188</u>
<b>23 Contingent Liabilities</b>		
<b>Mortality Fund</b>		
As at the 30 June 2019 the Company had 125 financial members in the Mortality Fund. This equates to a contingent liability totalling \$18,750 based on \$150 per member, which has not been brought to account in the financial report. (2018: 133 members \$19,950).		

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