ENTERTAINMENT / FITNESS / LIFESTYLE / ACCOMMODATION

WEST HQ LIMITED

ABN 54 000 842 375

GENERAL PURPOSE (RDR) FINANCIAL REPORT
For the year ended 31 December 2020

WEST HQ

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DIRECTORS' REPORT

The financial report of West HQ Limited (the "Club") is presented for the year ended 31 December 2020 and the auditor's report thereon.

DIRECTORS

The names of the Club's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Names	Commenced/Departed
S.E Byrne	Commenced 16 July 2020
K.N. Clements	Commenced 2008
A.J. Davey	Commenced 2008
D.V. Dewhurst	Commenced 2012
N.J. Finch	Commenced 2018
P.E. Hamrol	Commenced 2006
A.G.F Hills	Commenced 2006
C.A. Pilao	Commenced 2012
J.S. Vargas	Commenced 2018
G. McCully	Departed 24 March 2020

CLUB SECRETARY

Mr Richard Errington was appointed to the position of Club Secretary on 14 June 2006.

DIVIDENDS

The Club is a not-for-profit organisation and is prevented by its constitution from paying dividends.

CORPORATE INFORMATION

West HQ Limited is a club limited by guarantee that is incorporated and domiciled in Australia.

The registered office and principal place of business of the Club is 33 Railway Street, Rooty Hill, NSW 2766.

PRINCIPAL ACTIVITIES

The principal activities of the Club during the course of the financial year were the conduct and promotion of a licensed social club and facilities for the members of the Club and management of the Novotel Sydney West HQ, Rooty Hill RSL Club, ONE55 Health and Fitness, Sydney Gymnastic and Aquatic Centre and Sydney Coliseum Theatre.

There were no significant changes in the nature of the activities of the Club during the year.

OPERATING RESULTS

The Club reported a profit after tax of $4,098,148 for the year ended 31 December 2020 (2019: operating loss after tax of $661,967).

Directors' report (continued)

OPERATING RESULTS (CONTINUED)

Reconciliation of EBITDA to profit before tax		
	2020	2019
	$	$
Profit/(loss)	**4,073,666**	(704,080)
Finance income	**(66)**	(6,707)
Finance costs	**3,537,899**	900,622
Depreciation	**15,404,954**	11,401,026
Statutory EBITDA*	**23,016,453**	11,590,861

* The directors have voluntarily disclosed EBITDA, which is not a requirement of the Australian Accounting Standards – Reduced Disclosure Requirements. The directors believe this measure assists in the understanding of the operations of the business as it largely represents the cash flow available from operations.

The year has been an incredibly difficult year for all in context of COVID-19.

The timing could not have come at a worse time for West HQ. Significant investment in the development of our Sydney Coliseum Theatre and redevelopment of supporting amenities had just been completed and were 80 percent funded through debt.

The temporary shutdown of our operations on 23 March 2020 and stand down of over 600 employees was devastating. Our clear priorities were and remain the safety and wellbeing of our employees and you, our valued customer while also ensuring the continued underlying strength and faith in our business remaining to be able to open our doors once again.

It was a year of two very different halves and as at the date of this report, even today the reality of the times ahead remains uncertain.

We are well placed to service the significant swing caused through COVID-19 in customer service preference. The diversity of West HQ has enabled us to remain strong and provided the belief of a sustainable, distinctive, and now to be in a strong competitive market position.

We reopened our doors after a ten-week closure on 1 June 2020 with cautious yet sensible social distancing, hygiene behaviour changes and other restrictions. Throughout this year, continuous amendments to our way of servicing you due to outbreaks within the community were made including limitation on numbers permitted within our various venues.

West HQ Board and management team employed a strong financial discipline to re-set the business and remained focused, flexible, and nimble in response to the current environment which remained uncertain.

The closure period and restrictions imposed at various times on Fitness, Entertainment, Hotel, Food Beverage and Lifestyle caused revenue to decline to $78.1 million (2019: $89.5 million).

Historically, as a very strong cash generating diversified business, we were able to return to our normal 'non-construction and inconvenience' level of return with Earnings Before Interest Tax Depreciation Amortisation (EBITDA) of $23.0 million for the year.

Our net profit after tax of $3.5 million is solid (2019: net loss of $1.6 million) following a year in 2019 of construction and disruption through our development and redevelopment programs.

We are extremely proud of our employees for their outstanding contribution and loyalty, the community of Western Sydney and you for your dedication and support during these unprecedented times.

Directors' report (continued)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 23 March 2020, a Public Health Order issued by the NSW Government gazetted all Registered Clubs, including West HQ, must not be open to members of the public, with the exception (in West HQ's case) of the Hotel, which remains open albeit under materially reduced occupancy levels compared to prior to the COVID-19 outbreak.

The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy, and the operations of our Club. The scale and duration of these developments remain uncertain as at the date of this report however they are having an impact on our earnings, cash flow and financial condition.

With the opening of the Sydney Coliseum Theatre in December 2019, commencing at the end of January 2020, West HQ had been in extensive discussions with CBA to reset its Financing Facilities, with construction risk having passed. The closure of the business on 23 March 2020 escalated the importance of these discussions, with West HQ requesting:

- Capitalisation of short-term interest costs
- Deferral of $10.0m current liability bank borrowing
- Waiver of short-term amortisation and covenant obligations
- A commitment to implement a medium-term solution for West HQ.

On 1 May 2020, the negotiations were concluded successfully in West HQ's favour as CBA approved the aforementioned requests made by the Company. Further, on 5 May 2020, West HQ secured funding of $1.0 m against the insurance premium payable on 11 May 2020 and will repay the premium in instalments to a third-party financier over the course of 10 months at a borrowing cost of 1.78%.

Given the net current liability position and uncertainty over the extend of the impact of COVID-19 on the operations of the business, management have provided a details cash flow to support the going concern assumption to the Directors. The Directors are of the view the bank will continue to financially support the operations of the Club and accordingly, the financial report has been prepared on a going basis as the Directors are of the opinion that it is still appropriate.

There have been no other significant changes in the state of affairs of the Club during the year.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Statement of Financial Position discloses a $15,000,000 Current Liability due to the Secured Lender that existed as at 31 December 2020.

On 2 February 2021 West HQ received a Credit Approval Letter of Offer (the "Offer") to change Secured Lenders, subject to certain conditions. Consistent with Note 15, the Facility that has been Credit Approved includes:

	$
Bank loans	95,000,000
Working capital	4,000,000
Credit card	150,000
	99,150,000

The conditions attached to the Credit Approval are expected to be achieved prior to the end of February 2021.

Should the conditions be met, and the Offer be accepted, the financial impact of changing Secured Lenders will reduced the value of the Current Liability to the new Lender by $7,500,000, compared to the $15,000,000 disclosed in the Statement of Financial Position.

Directors' report (continued)

There have been no other significant events occurring after the reporting period which may affect either the Club's operations of results of those operations or the Club's state of affairs.

SHORT-TERM OBJECTIVES

The short-term objectives are to position the services on offer by the Club to be effective in meeting the needs of its members and the community within the context of a competitive marketplace.

LONG-TERM OBJECTIVES

The long-term objectives are to provide the infrastructure necessary to meet short term objectives and to provide a commercial result that ensures the longevity of its operations.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Board believes that the Club has adequate systems in place for the management of all of its environmental requirements and is not aware of any breach of these environmental requirements as they apply to the Club.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the Club has paid premiums in respect of a contract insuring all the directors of West HQ Limited against legal costs incurred in defending proceedings for conduct involving:

u) a wilful breach of duty; or

v) a contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*.

The amount of the premium cannot be disclosed due to policy conditions.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Club has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the financial year.

MEMBER'S LIABILITY

The Club is a Club limited by guarantee and without share capital. In accordance with the constitution of the Club, every member of the Club undertakes to contribute an amount limited to $5 per member in the event of the winding up of the Club during the time he or she is a member or within one year thereafter.

The number of members as at 31 December 2020 was 48,969 (2019: 51,623). The total amount that members of the Club are liable to contribute if the Club is wound up is $244,845 (2019: $258,115).

Directors' report (continued)

INFORMATION RELATING TO THE DIRECTORS

S.E. Byrne **Experience**	Fraud Analyst with AMP Bank Limited Appointed director in 2020 Member of the Club since 6 December 2005 Worked in the Financial Services Industry for over 30 years
K.N. Clements **Experience**	Retired Director since 2008 Life Member of the Club Member of the Club and Sub –Branch since 1972 Previously worked in the Transport and Logistics industry
A.J. Davey **Experience**	Retired Director from 2003 to 2004 and 2008 to present Life member of the club Member of the Club and Sub-Branch since 1977 Previously worked in Automotive Industry
D.V. Dewhurst **Experience**	Retired Director since 2012 Vice Chairperson from May 2016 to 2018 Appointed chairman in 2018 Member of the Club since 1984 Member of the Sub-Branch since 2005 Career in senior management roles within the manufacturing and import industry
N.J. Finch **Experience**	Retired Appointed director in 2018 Member of the Club and Sub-Branch since 1992 Previously worked in worldwide consumer products company in distribution centre
P.E. Hamrol **Experience**	Retired Director since 2006 Life member of the Club Member of the Club and Sub-Branch since 1980 Retired. Career as Transport & Logistics executive / proprietor
A.G.F. Hills **Experience**	Retired Director from 2002 to 2004 and 2006 to present Life member of the Club Member of the Club and Sub –Branch since 1981 Previously worked Retail sector Proprietor
C.A. Pilao **Experience**	Retired Director since 2012 Vice-chairperson 2018 - present Member of the Club since 1988 Member of the Sub-Branch since 2004 Career in the military as Lt Colonel (retired) in Philippine Armed Forces
J.S. Vargas **Experience**	Retired Appointed director in 2018 Member of the Club since 2011 Member of the Sub-Branch since 2012 Previously worked in transportation industry

Directors' report (continued)

INFORMATION RELATING TO THE DIRECTORS (CONTINUED)

G. McCully	Retired
Experience	Appointed director in 2018 Resigned 24 March 2020 Member of the Club since 1977

DIRECTORS' MEETINGS

The number of meetings of the directors held during the year and attended by the directors were as follows:

	Number of Meetings Held	Number of Meetings Attended
S.E. Byrne	16	4
K.N. Clements	16	16
A.J. Davey	16	16
D.V. Dewhurst	16	16
N.J. Finch	16	16
P.E. Hamrol	16	16
A.G.F Hills	16	16
C.A. Pilao	16	16
J.S. Vargas	16	11
G.McCully	16	3

AUDITOR INDEPENDENCE

The Lead auditor's independence declaration is set out on page 9 and forms part of the directors' report for the financial year ended 31 December 2020.

This report is made in accordance with a resolution of the directors:

D.V. Dewhurst

Chairman

West HQ Limited, 16 February 2021

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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF WEST HQ LIMITED

As lead auditor for the audit of the financial report of West HQ Limited for the financial year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

d) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

d) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Daniel Cunningham
Partner
Sydney
16 February 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 $	2019 $
Revenue	4(a)	**78,132,291**	89,544,621
JobKeeper subsidy income		**7,708,500**	-
		85,840,791	89,544,621
Raw materials and consumables used		**(3,851,007)**	(5,519,005)
Poker machine licences and taxes		**(16,160,091)**	(15,692,941)
Personnel expenses		**(24,364,330)**	(30,098,571)
Property expenses		**(5,270,421)**	(6,138,441)
Entertainment, marketing and promotional costs		**(5,181,947)**	(9,489,860)
Operating lease rental expense		**(60,218)**	(434,087)
Licence fees and subscriptions		**(1,723,644)**	(2,504,731)
Professional expenses		**(1,514,257)**	(2,357,243)
Members' amenities		**(2,167,688)**	(2,455,791)
Donations		**(1,192,405)**	(1,200,416)
Printing expenses		**(494,812)**	(363,875)
Net loss on disposal of property, plant and equipment		**-**	(17,087)
Depreciation expense	4(b)	**(15,404,954)**	(11,401,026)
Other expenses		**(843,518)**	(2,027,320)
Finances income	4(c)	**66**	6,707
Finance costs	4(d)	**(3,537,899)**	(900,622)
Profit/(Loss) before income tax		**4,073,666**	(704,080)
Income tax benefit	5	**24,482**	42,113
Profit/(Loss) for the year		**4,098,148**	(661,967)
Other comprehensive loss		**(552,016)**	(965,799)
Total comprehensive income/(loss) for the year		**3,546,132**	(1,627,766)

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 $	2019 $
Assets			
Current assets			
Cash	6	**5,393,530**	5,058,328
Trade and other receivables	7	**12,351**	611,312
Inventories	8	**521,450**	787,501
Prepayments		**233,095**	495,090
Total current assets		**6,160,426**	6,952,231
Non-current assets			
Investment properties	9	**5,309,515**	5,425,324
Deferred tax assets	5(c)	**255,143**	230,661
Property, plant and equipment	10	**249,493,297**	249,333,348
Right-of-use assets	12	**3,077,497**	3,648,568
Total non-current assets		**258,135,452**	258,637,901
Total assets		**264,295,878**	**265,590,132**
Liabilities and members' funds			
Current liabilities			
Trade and other payables	11	**19,678,426**	29,435,822
Employee benefit liabilities	13	**960,691**	2,179,156
Financial liabilities		**1,517,815**	965,799
Provisions	14	**81,080**	61,642
Borrowings	15	**15,303,813**	13,661,743
Lease liabilities	12	**1,240,684**	3,160,166
Deferred income		**1,156,594**	1,335,613
Total current liabilities		**39,939,103**	50,799,941
Non-current liabilities			
Employee benefit liabilities	13	**393,628**	526,842
Borrowings	15	**80,688,357**	76,482,836
Lease liabilities	12	**1,948,145**	-
Total non-current liabilities		**83,030,130**	77,009,678
Total liabilities		**122,969,233**	127,809,619
Net Assets		**141,326,645**	137,780,513
Members' funds			
General funds		**142,844,460**	138,746,312
Cash flow hedge reserve		**(1,517,815)**	(965,799)
Total members' funds		**141,326,645**	137,780,513
Total liabilities and members' funds		**264,295,878**	265,590,132

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

STATEMENT OF CHANGES IN MEMBERS' FUNDS

For the year ended 31 December 2020

	General Funds $	Cash flow hedge reserve $	Total members' funds $
At 1 January 2019	139,408,279	-	139,408,279
Loss for the year	(661,967)	-	(661,967)
Other comprehensive income	-	(965,799)	(965,799)
Total comprehensive income for the year	(661,967)	(965,799)	(1,627,766)
At 31 December 2019	138,746,312	(965,799)	137,780,513
Profit for the year	**4,098,148**	**-**	**4,098,148**
Other comprehensive loss	**-**	**(552,016)**	**(552,016)**
Total comprehensive loss for the year	**4,098,148**	**(552,016)**	**3,546,132**
At 31 December 2020	**142,844,460**	**(1,517,815)**	**141,326,645**

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	**2020** **$**	2019 $
Operating activities			
Receipts from customers		**87,136,312**	98,499,083
Receipts from JobKeeper subsidy		**7,708,500**	-
Payment to suppliers and employees		**(73,470,008)**	(80,245,642)
Interest received		**66**	6,707
Interest paid		**(3,433,345)**	(4,394,419)
Interest paid on lease liabilities		**-**	(77,181)
Income tax refund/(paid)		**-**	(33,150)
Net cash flows from operating activities		**17,941,525**	15,755,398
Investing activities			
Purchase of property, plant, and equipment		**(23,378,023)**	(74,153,949)
Net cash flows used in investing activities		**(23,378,023)**	(74,153,949)
Cash flows from financing activities			
Proceeds from borrowings		**5,847,591**	55,943,801
Payment of principal portion of lease liabilities		**(75,891)**	(249,498)
Net cash flows from financing activities		**5,771,700**	55,694,303
Net increase/(decrease) in cash and cash equivalents		**335,202**	(2,704,248)
Cash and cash equivalents at 1 January		**5,058,328**	7,762,576
Cash and cash equivalents at 31 December	6	**5,393,530**	5,058,328

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. CORPORATE INFORMATION

The financial statements of West HQ Limited (the "Club") for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 16 Feb 2021.

The Club is incorporated and domiciled in Australia as a company limited by guarantee. In accordance with the Constitution of the Club, every member of the Club undertakes to contribute an amount limited to $5 per member in the event of the winding up of the Club during the time that he or she is a member or within one year thereafter.

The nature of the operations and principal activities of the Club are described in the directors' report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Australian Accounting Standards - Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The Club is a not-for-profit entity which is not publicly accountable.

The financial report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars ($).

b) Going concern and COVID-19

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

As at 31 December 2020, West HQ had net current liabilities exceeding total current assets by $33,778,677 including $15,000,000 due to the Secured Lender (2019: $43,847,710 including $10,000,000 due to the Secured Lender).

The directors have concluded that the use of the going concern assumption in the preparation of the current year financial report is appropriate as:

- Management have projected West HQ will generate positive net free cash flow from operating activities for the 2021 financial year of $18,761,827 (Year ended 31 December 2020: net free cash flow from operating activities $17,941,525 prior to payment of committed repayments to the Secured Lender).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Going concern and COVID-19 (continued)

- Experienced gained with the Secured Lender during and post the COVID related shutdown from 23 March to 31 May 2020 ("the shutdown") – indicates the Secured Lender's medium-term preference is to support West HQ trade out of COVID. Specifically, the $10,000,000 that was due to the Secured Lender in CY20, and associated Covenant breaches that arose dur to the shutdown, were waived by the Secured Lender. And;
- West HQ has access to a $4,000,000 Working Capital Facility – of which $3,696,187 is undrawn as at 31 December 2020 (31 December 2019: $356,101 undrawn).

Given the net current liability position and uncertainty over the extent of the impact of COVID-19 on the operations of the business, management have provided a detailed cashflow forecast to support the going concern assumption to the Directors. The cashflow forecast assumes continuity of the operating conditions currently in effect – including Government enforced social distancing measures. The cashflow forecast does not contemplate for further Government mandated closures of the business. The cashflow forecast indicates that the business will continue to require ongoing financial support from the Secured Lender for the going concern period. The Directors are of the view the Secured Lender will continue to financially support the operations of the Club and accordingly, the financial report has been prepared on a going concern basis as the Directors are of the opinion that it is still appropriate.

c) Changes in accounting policy, disclosures, standards, and interpretations

New and amended standards and interpretations

Several new standards, amendments and interpretations apply for the first time in 2020, but do not have impact on the financial statements of the Club.

Accounting Standards and Interpretations issued but not yet effective

Certain Australian Accounting Standards and Interpretations have recently been issued of amended but are not yet effective and have not been adopted by the Club for the annual reporting year ended 31 December 2020. The directors are in the process of assessing the impact of the application of AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (effective for annual reporting periods beginning on or after 1 July 2021) and its amendments to the extent relevant to the financial statements of the Club.

d) Current versus non-current classification

The Club presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at lease twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading

It is due to be settled within twelve months after the reporting period, or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Club classifies all other liabilities as non-current.

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

e) Cash

Cash in the statement of financial position comprises cash at bank and on hand.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash as defined above.

f) Trade and other receivables

A receivable represents the Club's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due.) Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Club holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate (EIR) method.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the EIR method, less an allowance for impairment.

g) Inventories

Inventories are valued at the lower cost and net realisable value.

The cost of inventories is based on the first-in-first-out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimate selling price in the ordinary course of business, less estimated costs of completed and the estimated costs necessary to make the sale.

h) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Club uses interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as cash flow hedge.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss and the other comprehensive income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

Cash flow hedges (continued)
If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

i) Property, plant, and equipment

Plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of plant and equipment are required to be replaced at intervals, the Club depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

Club buildings	25 to 40 years
Club plant & equipment	3 to 13 years
Motor vehicles	4 to 5 years
Hotel and buildings	25 to 40 years
Hotel plant & equipment	5 to 7 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives, and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

j) Investment properties

Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of investment property.

The Club's investment property estimated useful lives for the current and comparative years are both 40 years.

k) Leases

The Club assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Club applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Club recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Right-of-use assets

The Club recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Gym equipment	1 to 3 years
Other plant and equipment	3 to 4 years

If ownership of the leased asset transfers to the Club at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(ii) Lease liabilities

At the commencement date of the lease, the Club recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Club and payments of penalties for terminating the lease, if the lease term reflects the Club exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Club uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Club applies the short-term lease recognition exemption to its short-term leases of plant and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

l) Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are clubbed at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or Clubs of assets (cash-generating units). Non-financial assets that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently carried at amortised cost and due to their short-term nature, they are not discounted. They represent liabilities for goods and services provided to the Club prior to the end of the financial year that are unpaid and arise when the Club becomes obliged to make future payments in respect of the purchase of these goods and services.

n) Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, borrowings are subsequently measured at amortised cost using the EIR method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

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

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the year they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The Club does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

o) Provisions

General

Provisions are recognised when the Club has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Club expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit and loss and other comprehensive income net of any reimbursement.

Poker machine links

The provision for poker machine links represents the Club's estimated present obligation to members and visitors in respect of poker machine link payouts promotions. The provisions are expected to be realised within 12 months of the reporting date.

p) Employee benefit liabilities

Wages, salaries, and sick leave

Liabilities for wages and salaries, including non-monetary benefits, which are expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave and annual leave

The Club does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The Club recognises a liability for long service leave and annual leave measured as the

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

q) Revenue from contracts with customers

For the year ended 31 December 2019

Revenue is recognised in accordance with AASB 15 *Revenue from contracts with customers*. Revenue that is recognised over a period of time is recognised when the Club satisfies a performance obligation by transferring a promised good or service to a customer. Revenue is measured at the fair value of the consideration received or receivable.

Revenues from the sale of goods, services and gaming are recognised at the point of sale, which is where the customer has taken delivery of the goods, received the service and the risks and rewards are transferred to the customer. Amounts disclosed as revenue are net of sales returns and trade discounts.

Interest revenue is recognised on an accrual basis using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue is recognised when it is received or when the right to receive payment is established. All revenue is stated net of the amount of goods and services tax (GST).

r) JobKeeper subsidy income

JobKeeper subsidy income is a government grant which relates to wages and salaries. It is recognised as income on a systematic basis over the period that the related costs, for which it is intended to compensate, are expensed.

s) Rental revenue

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

t) Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Club transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer.)

u) Finance income

Interest income is recorded using the EIR method. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Taxes

Current income tax

The *Income Tax Assessment Act 1997* (Amended) provides that under the concept of mutuality, Clubs are only liable for income tax on income derived from non-members and from outside entities. Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting 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 tax asset to be utilised.

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

The Club offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Goods and services tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as a part of the cost of acquisition of the asset, as applicable

- When receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Taxes (continued)

Goods and services tax (GST) (continued)
Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Club's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the companying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Club based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Club. Such changes are reflected in the assumptions when they occur.

Taxes
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Leases – Estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. REVENUE AND EXPENSES

	2020 $	2019 $
a) Disaggregated revenue information		
Type of goods or service		
Sale of goods	**9,132,737**	14,372,467
Rendering of services	**68,999,554**	75,172,154
Total revenue from contracts with customers	**78,132,291**	89,544,621
Geographical markets		
Australia	**78,132,291**	89,544,621
Total revenue from contracts with customers	**78,132,291**	89,544,621
Timing of revenue recognition		
Transferred at a point in time	**75,219,768**	82,384,851
Transferred over time	**2,912,523**	7,159,770
Total revenue from contracts with customers	**78,132,291**	89,544,621

b) Depreciation expenses

Investment properties (Note 9)	**115,809**	103,110
Property, plant and equipment (Note 10)	**14,718,074**	11,127,410
Right-of-use assets (Note 12)	**571,071**	170,506
	15,404,954	11,401,026

c) Finance income

Interest income	**66**	6,707

d) Finance costs

Interest expense	**3,284,158**	655,668
Interest expense in lease liabilities	**104,554**	77,181
Bank charges	**149,187**	167,773
	3,537,899	900,622

5. INCOME TAX EXPENSE

a) Income tax expense

The major components of income tax benefit are:

	2020 $	2019 $
Statement of profit or loss and other comprehensive income		
Current income tax		
Income tax expense – current	**-**	30,544
Origination and reversal of temporary difference	**(24,482)**	(72,657)
Income tax benefit reported in the statement of profit or loss and other comprehensive income	**(24,482)**	(42,113)

b) Reconciliation of income tax benefit and the accounting profit multiplied by Australia's domestic tax rate for 2020 and 2019:

	2020 $	2019 $
Proportion of net taxable income attributable to non-members	**15,716,968**	26,088,016
Less: Proportion of expenses attributable to non-members	**(19,667,473)**	(27,304,871)
	(3,950,505)	(1,216,855)
Add: Other taxable income	**9,618,233**	3,607,800
	5,667,728	2,390,945
Less: Other deductible expenses	**(12,399,084)**	(6,420,995)
Net income subject to tax	**(6,731,356)**	(4,030,050)
Losses carry forward - utilised	**-**	-
Taxable loss	**(6,731,356)**	(4,030,050)
Income tax using the Club's statutory income tax rate of 30% (2019: 30%)	**(2,019,407)**	(1,209,015)
Carry forward losses utilised - not previously recognised	**-**	-
Non-recognition of current year tax losses	**2,019,407**	1,209,015
Income tax expense – current	**-**	-
Income tax expense - deferred	**(24,482)**	(72,657)
Prior year unders/overs	**-**	30,544
Income tax benefit on pre-tax net profit	**(24,482)**	(42,113)

5. INCOME TAX EXPENSE (continued)

c) Deferred income tax

Deferred tax at 31 December relates to the following:

	Statement of financial position		Statement of profit or loss and other comprehensive income	
	2020 **$**	2019 $	**2020** **$**	2019 $
Deferred tax assets				
Employee benefits	**220,667**	183,713	**(36,954)**	(7,650)
Provisions and accruals	**10,742**	5,771	**(4,971)**	5,448
Property, plant and equipment	**129,048**	158,021	**28,973**	(138,625)
AASB 16 - Leases	**1,649**	-	**(1,649)**	-
Interest and borrowing costs	**(106,963)**	(116,844)	**(9,881)**	68,170
Deferred tax benefit			**(24,482)**	(72,657)
Net deferred tax assets	**255,143**	230,661		
Reflected in the statement of financial position as follow:				
Deferred tax assets	**255,143**	230,661		
Deferred tax assets, net	**255,143**	230,661		

	2020 **$**	2019 $
Deferred tax at 31 December relates to the following:		
As of 1 January	**230,661**	158,004
Tax benefit during the period recognised in profit or loss	**24,482**	72,657
As at 31 December	**255,143**	230,661

6. CASH

	2020 **$**	**2019** **$**
Bank balances	**1,019,699**	1,835,024
Call deposits	**-**	1,658
Cash on hand	**4,373,831**	3,221,646
	5,393,530	5,058,328

For the purpose of the statement of cash flows, cash and cash equivalents comprise the above.

Within bank balances, $861,934 (2019: $1,656,258) of cash relates to a CBA account with use restricted as part of the extension to funding of the Sydney Coliseum theatre account.

7. TRADE AND OTHER RECEIVABLES

	2020 $	2019 $
Current		
Trade receivables	**351**	496,295
Other receivables	**12,000**	115,017
	12,351	611,312

8. INVENTORIES

	2020 $	2019 $
Bar/warehouse	**246,318**	438,164
Catering	**125,895**	215,577
Hotel	**62,659**	69,486
Fitness centre	**86,578**	64,274
	521,450	787,501

9. INVESTMENT PROPERTIES

Cost	
Balance at 1 January 2020	6,558,005
Balance at 31 December 2020	**6,558,005**
Depreciation	
Balance at 1 January 2020	1,132,681
Depreciation charge for the year	115,809
Balance at 31 December 2020	**1,248,490**
Net book value	
At 31 December 2019	5,425,324
At 31 December 2020	**5,309,515**

10. PROPERTY, PLANT AND EQUIPMENT

	Club land and Buildings $	Club plant and equipment $	Motor vehicles $	Hotel and buildings $	Hotel plant and Equipment $	Total $
Cost						
At 1 January 2020	265,461,912	95,262,486	285,385	34,937,484	9,096,859	405,044,126
Additions	12,684,252	2,189,983	-	-	3,788	14,878,023
Disposals	(576,753)	(37,955)	(19,912)	-	-	(634,620)
At 31 December 2020	**277,569,411**	**97,414,514**	**265,473**	**34,937,484**	**9,100,647**	**419,287,529**
Depreciation charge						
At 1 January 2020	59,602,356	67,153,823	176,638	21,448,070	7,329,891	155,710,778
Depreciation for the year	7,591,531	5,324,950	23,991	1,500,529	277,073	14,718,074
Disposals	(576,753)	(37,955)	(19,912)	-	-	(634,620)
At 31 December 2020	**66,617,134**	**72,440,818**	**180,717**	**22,948,599**	**7,606,964**	**169,794,232**
Net book value						
At 31 December 2019	205,859,556	28,108,663	108,747	13,489,414	1,766,968	249,333,348
At 31 December 2020	**210,952,277**	**24,973,696**	**84,756**	**11,988,885**	**1,493,683**	**249,493,297**

In October 2017, the Club entered into an $80 million finance facility agreement with CBA to complete the development of the Sydney Coliseum Theatre (SCT) and associated multi-level car park. In May 2019, this was increased to $95 million. The amount of interest cost capitalised during the year ended 31 December 2020 was $nil (2019: $1,661,570).

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Core property

The following is the core property:

55 Sherbrooke Street, Rooty Hill NSW 2766, excluding the Sydney Gymnastics and Aquatic Centre and the Investment property leased to Zone Bowling.

Non-core property

The following is the non-core property:

The Sydney Gymnastic and Aquatic Centre and the Investment property leased out to AMF Bowling located on the Club's premises.

11. TRADE AND OTHER PAYABLES

	2020 **$**	2019 $
Current		
Trade payables	**6,339,159**	15,396,761
Accrued expenses	**13,339,267**	14,038,964
Receipts due to RSL sub branch	**-**	97
	19,678,426	29,435,822

12. LEASES

The club leases plant and equipment expiring from 1 to 5 years. Leases generally provide the Club with a right to renewal at which time all terms are negotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	$
As at 1 January 2019 (on adoption of AASB 16)	3,819,074
Depreciation expense	(170,506)
As at 31 December 2019	**3,648,568**
Depreciation expense	(571,071)
As at 31 December 2020	**3,077,497**

12. LEASES (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2020 $	2019 $
As at 1 January	**3,160,166**	3,142,224
Accretion of interest	**104,554**	77,181
Payments	**(75,891)**	(59,239)
As at 31 December	**3,188,829**	3,160,166
Current	**1,240,684**	3,160,166
Non-current	**1,948,145**	

The following are the amounts recognised in profit or loss:		
Depreciation expense of right-of-use assets	**571,071**	170,506
Interest expense on lease liabilities	**104,554**	77,181
Expense relating to short-term leases	**-**	88,479
Total amount recognised in profit or loss	**675,625**	336,166

The Club had total cash outflows for leases of $75,891 in 2020 (2019: $327,129).

13. EMPLOYEE BENEFIT LIABILITIES

	2020 $	2019 $
Current		
Long service leave	**114,733**	416,425
Annual leave	**845,958**	1,762,731
	960,691	2,179,156
Non-current		
Long service leave	**393,628**	526,842
	393,628	526,842

14. PROVISIONS

	2020 $	2019 $
Current		
Jackpot provisions	**81,080**	61,642
Movement in provision		
As at 1 January 2020	**61,642**	
Additional during the year	**19,438**	
As at December 2020	**81,080**	

15. BORROWINGS

	2020 $	2019 $
Current		
Bank loans	**15,303,813**	13,661,743
Non-current		
Bank Loans	**80,688,357**	76,482,836
	95,992,170	90,144,579
Financing facilities		
Facilities available		
Bank loans	**95,688,357**	95,000,000
Credit cards	**190,000**	190,000
Working capital	**4,000,000**	4,000,000
	99,878,357	99,190,000
Facilities utilised at reporting date		
Bank loans	**95,688,357**	86,482,836
Credit cards	**29,226**	14,653
Working capital	**303,813**	3,661,743
	96,021,396	90,159,232
Facilities not utilised at reporting date		
Bank loans	**-**	8,517,164
Credit cards	**160,774**	175,347
Working capital facility	**3,696,187**	338,257
	3,856,961	9,030,768

The interest rate of the bank loans is 2.86% (2019: 3.94%) and the loans will mature in October 2022.

15. BORROWINGS (continued)

Security

At 31 December 2020, total assets with a carrying amount of $264,295,878 (2019: $265,590,132) are subject to a registered mortgage to secure the financial liabilities of the Club.

Security covering the above facilities comprises a registered mortgage over all the freehold property of the Club and hotel complex situated at 55 Sherbrooke Street, Rooty Hill and a registered mortgage debenture over all the assets and undertakings of the Club, including liquor and gaming licences held by the Club.

16. COMMITMENTS

Operating lease commitments - Club as lessor

The Club leases out its investment property held under operating leases. The Club and the Trust Club limited as custodian of the TEEG Bidco Pty Ltd (new lessee) has a lease in place in relation to Zone Bowling operations for a term of 10 years with further option for renewal.

The Club also leases out portions of the Sydney Gymnastic and Aquatic Centre (SGAC) under operating leases. The Club and the tenants have entered into a lease for a term of 10 years with further options to renewal periods.

The lease was renegotiated as the Club was not in a financial position to repurpose the site.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2020 $	2019 $
Less than one year	**498,125**	839,239
Between one and five years	**597,817**	1,264,855
	1,095,942	2,104,094

17. RELATED PARTY DISCLOSURES

The names of the Club's key management personnel in office during the financial year and until the date of this report are set out below. The key management personnel were in office for this entire period unless otherwise stated.

The following were key management personnel of the Club at any time during the reporting year and unless otherwise indicated were key management personnel for the entire year:

Non-executive directors	**Commenced/Departed**
S.E. Byrne	Commenced 2020
K.N. Clements	Commenced 2008
A.J. Davey	Commenced 2008
D.V. Dewhurst	Commenced 2012
N.J. Finch	Commenced 2018
P.E. Hamrol	Commenced 2006
A.G.F Hills	Commenced 2006
C.A. Pilao	Commenced 2012
J.S. Vargas	Commenced 2018
G. McCully	Departed 2020

17. RELATED PARTY DISCLOSURES (continued)

Executives	**Commenced/Departed**
Richard Errington (Chief Executive Officer)	
Daniel Brandon (Chief Financial Officer)	
Matt Wright (General Manager Gaming)	
Amanda Stephens (General Manager Legal and Human Resources)	
Craig McMaster (Executive Director, Sydney Coliseum Theatre)	Departed 2020
Lucas Van Agten (General Manager Food, Beverage & Hotel)	
Janine Wood (Chief Marketing Officer)	Departed 2020
Michaela Chan (Chief Marketing Officer)	Commenced 2020

18. KEY MANAGEMENT PERSONNEL

Key management personnel compensation

The key management personnel compensation was $2,597,972 for the year ended 31 December 2020 (2019: $2,335,517).

Key management personnel transactions and balances with the Club

From time to time, key management personnel of the Club, or their related entities, may purchase goods and services from the Club. These purchases are on the same terms and conditions as those entered into by third parties and are trivial or domestic in nature.

No key management personnel has transacted with the Club since the end of the previous financial year and there were no outstanding balances involving key management personnel's interests existing at year-end.

19. EVENTS AFTER REPORTING PERIOD

The Statement of Financial Position disclosed a $15,000,000 Current Liability due to the Secured Lender that existed as at 31 December 2020.

On 2 February 2021 West HQ received a Credit Approved Letter of Offer (the "Offer") to change Secured Lenders, subject to certain conditions. Consistent with Note 15, the facility that has been Credit Approved includes:

	$
Bank loans	95,000,000
Working capital	4,000,000
Credit card	150,000
	99,150,000

The conditions attached to the Credit Approval are expected to be achieved prior to the end of February 2021.

Should the conditions be met and the Offer be accepted, the financial impact of changing Secured Lenders will reduced the value of the Current liability to the new Lender by $7,500,000, compared to the $15,000,000 disclosed in the Statement of financial position.

There have been no other significant events occurring after the reporting period which may affect either the Club's operations or results of those operations or the Club's state of affairs.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of West HQ Limited (the "Club"), I state that:

In the opinion of the directors:

a) The financial statements and notes of the Club for the financial year ended 31 December 2019 are in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Club's financial position as at 31 December 2020 and its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*; and

b) there are reasonable grounds to believe that the Club will be able to pay its debts as and when they become due and payable.

D.V. Dewhurst

Chairman

West HQ, 16 February 2021

Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST HQ LIMITED

Opinion

We have audited the financial report of West HQ Limited, which comprises the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, 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 West HQ Limited is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the West HQ Limited's financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and

b) 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 West HQ Limited 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 opinion.

Emphasis of Matter: Going Concern and the Impact of the Coronavirus (COVID-19) Outbreak

We draw attention to Note 2 (b) of the financial report which notes the impact of COVID-19 and how this has been considered by the Directors in the preparation of the financial report. As a result, conditions exist that indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. As set out in Note 2 (b), no adjustments have been made to financial statements as at 31 December 2020 for the impacts of COVID-19. Our opinion is not modified in respect of this matter.

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

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the West HQ Limited 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 West HQ Limited's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the West HQ Limited or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Ernst & Young

Daniel Cunningham

Daniel Cunningham
Partner
Sydney
16 February 2021