CLUB MARCONI LIMITED
ABN 60 000 196 832

CLUB MARCONI

# 2020
# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

# BOARD OF DIRECTORS

**VINCENZO FOTI**
PRESIDENT

**MARIO SOLIGO**
VICE PRESIDENT / SPORTS PRESIDENT

**MORRIS LICATA**
VICE PRESIDENT

**ROBERT CARNIATO**
DIRECTOR / FOOTBALL CHAIRMAN

**SALVATORE NOIOSI**
DIRECTOR

**SALVATORE VACCARO**
DIRECTOR

**TONY PARAGALLI**
DIRECTOR

**ANGELO RUISI**
DIRECTOR

**FRANK OLIVERI**
DIRECTOR

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1. These financial statements are the financial statements of Club Marconi Limited as an individual entity.
2. The financial statements are presented in the Australian currency, which is the company's functional and presentation currency.
3. Club Marconi Limited is a company limited by guarantee, incorporated and domiciled in Australia.
4. A description of the nature of the entity's operations and its principal activities is included in the directors' report on page 8, which is not part of these financial statements.
5. The financial statements were authorised for issue by the directors on 21 September 2020. The directors have the power to amend and reissue the financial statements.

# PRESIDENT'S MESSAGE

**VINCENZO FOTI**
PRESIDENT

As always, during these most challenging times I ask you to be a united force to nurture, reinforce and strengthen the Spirit of Club Marconi.

Dear Members

As President and Chairman of the Board of Directors and on behalf of the Board, I endorse the accuracy of the information presented by the Club's appointed auditors PWC for the financial year ending 30 June 2020.

Board and Management have the continual challenge of maintaining best practice, corporate governance, and legislative requirements of an ever-changing industry, I am proud to acknowledge and thank my fellow Directors and Management for carrying out their duty and commitments in a most responsible and prudent direction.

The Year 2020 will be long remembered by us all in not only dealing with the global pandemic of COVD-19 but the devastation of the bush fires and drought in regional areas, which has been very testing and challenging for the Board. The pandemic resulted in the tragic loss of many lives world-wide and with sadness some relatives of our Club members.

I am so proud, and I must commend the Board Members and Management for their support and hard work, for their individual expertise and contribution in a most confronting environment and dealing with the many issues, obstacles and challenges that continue to arise at the club.

In February the Club hosted an event to assist the two families of the late Andrew O'Dwyer and Geoffrey Keaton, both Club Marconi members and Horsley Park Rural Fire Service volunteers who tragically lost their lives fighting the bushfires in December.

The event hosted by 2GB Ben Fordham brought to the fore, the true fabric of human generosity with 500 local businesses, families and Club Members coming together to raise over $400,000. A fantastic achievement and a display of community bond and support. Many thanks to those that attended and contributed to a wonderful night.

In March, the Federal and State Governments enforced the mandatory shutdown of all licensed premises for an initial period of six months, fortunately the residents of NSW controlled the spread of the COVID-19, which allowed the NSW Government to permit Clubs to re-open in June.

Whilst the decision to allow the Club to re-open was to be applauded, many restrictions were enforced under the NSW Health Public Order. To ensure the protection and well-being of our members, the Club was required as a condition of re-opening to develop a COVID Plan for the operations of the Club that required mandatory registration with Services NSW.

This essential plan was developed to protect and ensure the health and safety of all members, visitors, contractors and staff. The key components included: limiting 300 members and guests in the Club at any one time, physical distancing of 1.5m by members and patrons, limiting tables to 10 people, sanitisation stations, distancing of gaming machines, no co-mingling or standing while consuming alcohol by members and guests, cessation of internal sports and activities, introduction of COVID marshalls, mandatory signage and signing in and out of members and guests.

The Club's trading for the year ending 30 June 2020 produced a net loss $1,051,018 in a year that the Club Industry has experienced many challenges and a significant decline in revenue. The impact of COVID-19 resulted in a loss of gross revenue of $13m during the mandatory closure and at the same time affected an original projected forecast of $1.3m profit for the financial year.

The Board and I must commend our CEO Tony Zappia in his comprehensive business skills in navigating and guiding the management team through the most challenging and stressful period in the Club's history. Their extreme dedication during the mandatory COVID-19 shutdown period was exemplary and they continued to work above the call of duty to ensure the Club was financially viable and in a position to re-open its doors.

It must be noted that our association with Doltone House still remains but as the Club has been financially impacted during COVID-19, Doltone House has been more severely financially disadvantaged with a significant loss of events and functions over the past 8 months. This has substantially affected their ability to proceed with the renovations in the short term.

It is acknowledged that only in early August events that catered up to a maximum of 150 people were permitted. Once the NSW Government confirms further clarity and easing of restrictions, the works will be recommenced to the function areas.

The Club's foyer and front entrance has been renovated and provides a wonderful ambience and comfort. Further works are planned; however, the Board is conscience of not being premature in committing capital expenditure until COIVID-19 restrictions are supplementarily reduced.

Notwithstanding the difficult period that all Clubs in the industry are experiencing, Club Marconi is providing a service that is compliant with NSW Health Orders and ensuring it remains a safe environment for all members and at the same time we acknowledge not all activities have returned to pre-COVID times.

Further, I am pleased to disclose that our economic position is stable, and the Club is not in any economic stress or hardship.

The Board will be requesting the support of our Members at the Extra Ordinary General Meeting (prior to the AGM) on Sunday 1 November to amalgamate with The Italo-Australian Sports and Recreation Club Ltd Lismore, a Club that maintains the same cultural traditions as our Club but is under financial stress. Club Marconi Limited will be the parent Club in the proposed amalgamation.

We request your continued patience and compliance to the COVID-19 restrictions that we are obliged to maintain under legislation and appreciate your support in ensuring the Club's future.

As always, during these most challenging times I ask you to be a united force to nurture, reinforce and strengthen the Spirit of Club Marconi.

Best wishes to you and your families for Christmas and I sincerely hope 2021 brings new and positive experiences to you all.

**Vincenzo Foti**
President

# VICE PRESIDENT / SPORTS PRESIDENT'S MESSAGE

**MARIO SOLIGO**
VICE PRESIDENT/SPORTS PRESIDENT

I would like to thank all the Sports Executive Committees for giving up their time unselfishly and displaying commitment.

I am pleased once again to present my Annual Sports President Report for 2020, year celebrating 62 years of sports at Club Marconi albeit in strange and unprecedented times. This year is a time to reflect and work hard to maintain some level of normality on and off the sporting fields. It goes without saying that with my fellow sports Directors I am humbled to know that our sports men, women and children are still getting out and competing and keeping up their health and social connection.

As everyone can appreciate our Sporting calendar has somewhat shrunk this year with many of our sports competitions sadly being suspended, deferred or cancelled all together due to directions under the NSW Health directives. Nevertheless, I'm particularly heartened to see some of our associations continue towards providing opportunities for our players under COVID Sports Plans. I was delighted to see Team Time go ahead for Rugby League players with Disabilities (PWD)'. Unfortunately, due to COVID restrictions our successful All Abilities Netball Program for PWD in netball could not go ahead in 2020 but I am assured Melissa and her team will be back in 2021.

I would like to thank all the Sports Executive Committees for giving up their time unselfishly and displaying commitment, which goes a long way to facilitating our many sporting achievements.

With most of our sports on hold, one glowing light is our Artist (photographer) Steve McLaren who has been accepted to exhibit in the National Portrait Gallery in Canberra. Now that's worth a Gold Medal in itself, well done Steve. Not to be outdone and thinking outside the box our Art Association is holding an Online Exhibition titled 'Fairfield Art Society Online Open Prize for 2020" Good luck with the initiative.

For our Rugby League, Cricketers, Fencers, Physical Culture and Golfers are still all motoring along albeit with restricted arrangements and hope as the year is coming to an end, the Associations may end the year with Christmas celebratory events.

In maintaining compliance with the NSW Health Orders internal sports were slowly re-introduced in September, notwithstanding in a staggered and orderly approach ensuring COVID guidelines were met.

As I say every year since I have held office, my Sports Executive are only the custodians of this wonderful organisation and after 62 years, this past year has been the most challenging and strange time but we still try and maintain a degree of support and camaraderie amongst all our sporting members. Special thanks to all our sports associations, captains, members and especially our volunteers, whose passion and enthusiasm underpin our Club's sporting accomplishments.

In closing, I'd like to thank my Sports Executive, Club Directors Sam Noiosi, Sam Vacarro, Angelo Ruisi and our new Sports Executive Tony Paragalli, our Sports Executive Officer Spyros Kehris who over 22 years has provided the sporting governance required to run such a large sporting umbrella body. To our CEO Tony Zappia and his Management team, I thank you for your tireless work in supporting our associations and maintaining our sporting facilities to the highest standards, giving everyone a great facility to play on. All these people, their dedication and hard work forms an integral part of the continued success and growth of our Marconi sports clubs.

**Mario Soligo**
Vice President / Sports President

# FOOTBALL CHAIRMAN'S MESSAGE

The 2020 football season started in early March as usual, however the world wide Coronavirus Pandemic saw football and life as we know it put on hold on the 18 March.

All football training and matches stopped until the easing of restrictions in NSW saw competitive sport resume from 1 July. As a result of the major disruption to the season the FNSW competition structures, promotion and relegation for all teams was reviewed and not mandatory.

Effectively it was about giving all footballers the opportunity to just play and compete without the pressure of being promoted or relegated.

New protocols were put in place to ensure the safety of all people involved in football. Communication was key amongst the football office to coaches and managers who played a crucial role in reinforcing procedures to parents, players and the opposition teams.

Coronavirus Convenors were appointed by the club in all programs to ensure the club was compliant with the regulations that were implemented by the Department of Health. Inspectors made a surprise visit on 29 August -the club received the tick of approval.

Although it was a most challenging season, it highlighted the strong sense of family, resilience and unity within the club and it is hoped that in 2021 football may return to its normal playing schedule with promotion and relegation to be re-introduced.

**Robert Carniato**
Football Chairman

**ROBERT CARNIATO**
FOOTBALL CHAIRMAN

> Although it was a most challenging season, it highlighted the strong sense of family, resilience and unity within the club

# DIRECTORS' REPORT

## Your directors present their report on Club Marconi Limited (the Company or the Club) for the year ended 30 June 2020.

### DIRECTORS

The following persons were directors of Club Marconi Limited during the whole of the financial year and up to the date of this report:

| NAME | POSITION |
|---|---|
| Vincenzo Foti | Director |
| Mario Soligo | Director |
| Morris Licata | Director |
| Salvatore Vaccaro | Director |
| Robert Carniato | Director |
| Salvatore Noiosi | Director |
| Frank Oliveri | Director |
| Angelo Ruisi | Director |

Anthony Paragalli was appointed as a director on 3 November 2019 and continues in office at the date of this report.

### PRINCIPAL ACTIVITIES

The principal activities of the company during the year were the conduct and promotion of a licensed social and sporting club for members of the company.

There have been no significant changes in the nature of these activities during the year.

### REVIEW OF OPERATIONS

The loss from ordinary activities after income tax amounted to $1,051,018 (2019: profit $701,251). This resulted after charging $4,725,755 (2019: $3,921,000) for depreciation and amortisation and $630,721 (2019: $765,158) for finance costs.

| | 2020 $ | 2019 $ |
|---|---|---|
| Net profit / (loss) after income tax expense attributable to members | (1,051,018) | 701,251 |
| Add back: | | |
| Depreciation and amortisation expense | 4,725,755 | 3,921,000 |
| Finance costs | 630,721 | 765,158 |
| Income tax expense | - | - |
| EBITDA - Earnings before depreciation/amortisation, finance costs and income tax expense, exclusive of other comprehensive income | 4,305,458 | 5,387,409 |

# DIRECTORS' REPORT

EBITDA (a non-GAAP financial measure) is an alternative view of business performance used by the company. EBITDA is not defined by Australian Accounting Standards and therefore may not be comparable to other companies reporting of EBITDA. The directors believe that disclosure of this measure enhances members and other users understanding of business performance.

The Net loss for 2020 includes the receipt of the JobKeeper Grant revenue of $1,262,500 (2019: Nil).

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The coronavirus disease 2019 (COVID-19) outbreak occurred during the year. Under the national lockdown re-enforced by the State Government, the company has ceased the operation from 23 March 2020. Effective from 1 June 2020, the New South Wales Government has permitted the reopening of club industry, when The Public Health (COVID-19 Restrictions on Gathering and Movement) Order (No 3) 2020 (the Order) came into effect. As restricted by the Order, the number of customers that is permitted to enter the club is limited to 300.

As a result, the Club has experienced a significant revenue drop for the year ended 30 June 2020 and has applied for JobKeeper payment commencing from the month of April 2020.

## EVENT SINCE THE END OF THE FINANCIAL YEAR

Club Marconi Limited has been in negotiation of entering into a gaming machine entitlement purchase agreement with Hungarian (Magyar) Social Club Ltd to purchase three gaming machine entitlements with a consideration of $300,000. The agreement has not yet been endorsed as of the annual report date. However, management assessed that it is highly likely that the transaction will be proceeded. Management considered the impact of the transaction to the company's financial performance would be insignificant.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected the company's operations, results or state of affairs, or may do so in future years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Further information on likely developments in the operations of the company and the expected results of operations have not been included in this annual report because the directors believe it would be likely to result in unreasonable prejudice to the company.

## INFORMATION ON DIRECTORS

**VINCENZO (VINCE) FOTI** (Director - 22 October 2000 to Present)

**TITLE:** President

**QUALIFICATIONS:** Pyrotechnician, Company Director

**EXPERIENCE AND EXPERTISE:**

Vince Foti is a Director of the parent company, Foti Pyrotechnics Corporation Pty Ltd. Foti Fireworks Pty Ltd is well known both nationally and internationally for its pyrotechnic achievements in marquee events such as 2000 Sydney Olympics, Sydney New Year Eve Harbour Spectacular, Shanghai Expo and many more iconic productions. Vince was a member of the Italian Ministerial Consultative Committee NSW State Parliament. Vince is currently a member of the Australian Standards Committee and has also held the position of President of NSW Professional Pyrotechnics Association where he is currently Vice President.

Vince joined as a Member of Club Marconi in 1978 and was elected to the Board of Directors in 2000. He was elected Vice President in 2005 and Chairman of the Board in 2010 and in 2011 was elected President. Vince brings to the Board a strong knowledge of business environments and the code of professionalism and integrity which he holds and conveys to others.

# DIRECTORS' REPORT

**MARIO SOLIGO** (Director - 9 September 2001 to Present)

**TITLE:** Vice President & Sports President

**QUALIFICATIONS:** Builder, Company Director

**EXPERIENCE AND EXPERTISE:**
Mario Soligo is a professional builder, having been a Company Director of Soligo Concrete Constructions Pty Ltd since 1986. In 2009, Mario was recognised by the Federal Government of Australia with the Sports Achievement Award for contributions to sports and the community. In 2010, Mario became Club Marconi's representative Director on the Board of Directors of South Western Italian Australia Association (S.W.I.A.A.) who provides social welfare, cultural and cross-cultural services for Italian residents in the South West region of Sydney. In October 2014, he became an Elected member of the SWIAA Board and currently holds the position as Chairman of the Board of Directors. Mario has had a long association with Club Marconi, with his parents amongst the first Members of the Club. In 2001, Mario became a Financial Life Member and in late 2001 was elected to the Board of Directors of Club Marconi. He has participated in several committees, namely Audit and Strategic Planning, Building, Discipline, Finance, Marketing, Gaming and Sports. Mario was elected Vice President in 2009, and became Sports President, overseeing 18 Sporting Associations.

Mario brings to the Board a wealth of experience and a successful track record running a business, managing large projects and developments spanning over 30 years, as well as over 18 years' experience in the Club industry and 10 years' experience in aged care. He currently serves as Chairperson of the Sports Committee and is a member of the Audit & Strategic Committee.

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**MORRIS LICATA** (Director - October 1999 to 25 September 2005)
(Director 25 October 2009 to Present)

**TITLE:** Vice President

**QUALIFICATIONS:** Company Director

**EXPERIENCE AND EXPERTISE:**
Morris Licata brings to the Board extensive Function Centre experience. Morris has been a Director of Club Marconi for 17 years and was elected Vice President in October 2015. He is a long-standing Member of the Club, with over 30 years of membership. Morris is a member of the Football, Sports, Audit and Strategic and Operations Committees, providing his knowledge and expertise to the Committees.

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**SALVATORE (SAM) VACCARO** (Director - 12 October 2003 to March 2010
and 10 November 2013 to Present)

**TITLE:** Director

**QUALIFICATIONS:** Founder and Director of Vaccaro Group
(Over 35 years-experience in electrical contracting)
Company Director.

**EXPERIENCE AND EXPERTISE:**
Sam brings extensive business experience to the Board of Club Marconi providing valuable knowledge of all aspects of business management and operations.

Sam has been associated with the Club since 2003 being on the Board of Directors from October 2003 until March 2010 and a current Director appointed in 2013. He is also a member of the Building, Sports and Football Committees.

**ROBERT CARNIATO** (Director - 9 September 2001 to Present)

**TITLE:** Director & Football Chairman

**QUALIFICATIONS:** Concrete Construction, Company Director

**EXPERIENCE AND EXPERTISE:**
Robert Carniato is a working Director of Cox Concrete (NSW) Pty Limited for over 30 years. The company has been established for over 45 years. Robert is a Member of the Master Builders association, which works in conjunction with the Building Industry.

Robert's father and grandfather were Foundation Members. Robert has a long and passionate history with the Club, being a Member for over 35 years. Robert has been on the Board of Club Marconi since 2001. He is currently a member of the Building Committee and Chairman of Football.

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**SALVATORE (SAM) NOIOSI** (Director - 26 November 2006 to Present)

**TITLE:** Director

**QUALIFICATIONS:** Retailer, Company Director

**EXPERIENCE AND EXPERTISE:**

Sam Noiosi has over 40 years of experience in retail, selling hardware and building materials. He has been associated with the Club for over 35 years and has been a Board Member for the past 15 years. Sam is a Member of the Audit and Strategic and Sports Committees and the Chair of the Building Committee.

Sam brings retail experience, people skills and an extensive knowledge of building and construction to the Board of Club Marconi. In addition, running his own business has significantly contributed to his role on the Board giving him an understanding of all aspects of business, including operations, finance, marketing and managing employees.

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**FRANK OLIVERI** (Director - 12 October 2003 to 25 October 2009 and 27 November 2011 to Present)

**TITLE:** Director

**QUALIFICATIONS:** Corporate Property, Company Director

**EXPERIENCE AND EXPERTISE:**
Frank served 17 years as an elected Councillor on Fairfield City Council and as Deputy Mayor and was also previously appointed by the NSW Government to the Board of the Greater Western Sydney Economic Development Board, Small Business Development Corporation, Regional Development Australia (Greater Sydney) Board, NSW Property Services Advisory Council and NSW Government - Italian Multicultural Advisory Council.

Frank has been a Member of the Club for over 20 years and has served as a Director of the Club for 15 years, including currently serving the Board as the Chairperson of the Gaming, Audit and Strategic and Operations Committees.

# DIRECTORS' REPORT

**ANGELO RUISI** (Director - 10 November 2013 to Present)

**TITLE:** Director

**QUALIFICATIONS:** Sales Manager for Computer Systems to the Hospitality Industry, Family business part-owner of cafés and a nightclub

**EXPERIENCE AND EXPERTISE:**
Angelo has been part of the Marconi family since childhood. For eight (8) years prior to being elected on the Board, Angelo volunteered his time as Vice-Captain and Treasurer of the Club Marconi Snooker Association, in which he organised competitions etc. Angelo is a Director of Club Marconi, appointed in 2013.

Angelo brings to the Board his knowledge of the hospitality industry and his commitment to Club Marconi. He is a member of the Sports, Gaming, Football and Operations Committees.

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**ANTHONY (TONY) PARAGALLI** (Director - 3 November 2019 to Present)

**TITLE:** Director

**QUALIFICATIONS:** Company Director

**EXPERIENCE AND EXPERTISE:**
Tony has been a member of Club Marconi for over 45 years. Tony is a knowledgeable, passionate supporter of Marconi Stallions and coached Marconi's Netball teams from 2001-2003.

In 1981 he built, owned and operated a successful family business (AFA Sheetmetal Components Pty Ltd) in Wetherill Park which he passed on to his son following his retirement. He brings to the Board his vast business experience and enthusiasm for the Club. Tony was elected Director of Club Marconi on 3 November 2020. He is a member of the Sports, Building and Football Committees.

## OBJECTIVES

### SHORT TERM

The company's short term objective is to deliver a profitable business to the membership that builds towards delivering a friendly world-recognised sporting, social and recreational facility to South Western Sydney.

### LONG TERM

The company's long term objective is to deliver a friendly, world recognised sporting, social and recreational facility in South Western Sydney focussing on the strengths of the local community, aiming our facilities and service to support these goals, and to foster and nurture sporting activities for youth and adults.

## STRATEGY FOR ACHIEVING THE OBJECTIVES

**In order to ensure the short term objectives are being met, the company will:**

- Strive to increase membership by targeting and converting visitors during club and community events;
- Assess and streamline appropriately the corporate structure to ensure ownership of actions and duties at all tiers of the organisation
- Investigate, assess and maintain operational and facility 'Masterplans' based on 'best-practice' and 'result-based' strategies to ensure effective facility management and enhancement;
- Monitor and manage carefully all costs of goods, contracts and wages to maximise effectiveness and profitability while maintaining the highest industry standards for the delivery of quality services, functions and amenities;

- Establish and continuously monitor tender processes for all systems and operations within the company to ensure integrity and transparency in these processes while delivering the best quality and value for money;
- Investigate and implement 'multi-skill' training for all company personnel;
- Monitor continuously and manage effectively company personnel leave entitlements to minimise and/or reduce any potential liability;
- Investigate and manage workers' compensation claims effectively;
- Monitor, assess and update technology where necessary to deliver more cost-effective services;
- Revise, adopt and maintain 'best-practice' management principles for capital expenditure;
- Maintain, renovate and update facilities whenever possible; and
- Foster and nurture sporting abilities in children and adults.

**In order to ensure the long term objectives are being met, the company will:**

- Continue to liaise with community stakeholders, including schools, TAFE NSW, local council, NSW Police, community groups, sporting associations and importantly, our members;
- Provide employment opportunities to people living in the area;
- Provide nationally recognised training to staff to assist in providing 'world-class' customer service whilst at the same time providing staff with formal qualifications and skills;
- Bring focus to the company by offering our facilities on the world stage;
- Continue to expand on sporting opportunities to introduce new sports within the company and to continue to improve our sporting facilities for members' enjoyment;
- Ensure a mix of Catering, Beverage, Gaming and Entertainment facilities that support the demographic of the Club membership base and the local community; and
- Maintain and continue to enhance a strategic 'master-plan' facility and business approach to ensure the effective utilisation of current and future resources.

## MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors (the Board) held during the year ended 30 June 2020, and the number of meetings attended by each director were:

| DIRECTOR | NO. OF BOARD MEETINGS ATTENDED | NO. OF BOARD MEETINGS HELD |
|---|---|---|
| Vincenzo Foti | 17 | 17 |
| Mario Soligo | 14 | 17 |
| Morris Licata | 16 | 17 |
| Salvatore Vaccaro | 16 | 17 |
| Robert Carniato | 17 | 17 |
| Salvatore Noiosi | 16 | 17 |
| Frank Oliveri | 17 | 17 |
| Angelo Ruisi | 17 | 17 |
| Anthony Paragalli | 11 | 11 |

# DIRECTORS' REPORT

## MEMBERSHIP

The company is a company limited by guarantee and is without share capital. The number of members as at 30 June 2020 and the comparison with last year is as follows:

| MEMBERSHIP TYPE | 2020 | 2019 |
|---|---|---|
| Club | 1,821 | 1,738 |
| Associate | 32,815 | 40,578 |
| Proposed | 244 | 1,382 |
| | 34,880 | 43,698 |

The drop in membership is attributable to COVID-19 shutdown that commenced in March - June 2020 and the Public Health (COVID-19 Restriction on Gathering and movement) Order.

## MEMBERS' LIMITED LIABILITY

In accordance with the Constitution of the company, every member of the company undertakes to contribute an amount limited to $2 per member in the event of the winding up of the company during the time that he/she is a member or within one year thereafter. The total amount that members of the club are liable to contribute if the company is wound up is $69,760 (2019: $87,396).

## PERFORMANCE MEASUREMENT AND KEY PERFORMANCE INDICATOR

The company has stringent performance management tools that are structured and reviewed against KPIs. These KPIs are compared to industry benchmarks with consideration to industry performance and top 25 Clubs. A full review is conducted quarterly and utilised rigorously in the operational business and strategic plan.

Board and Management realign performance targets and strategic direction on both labour market and industry trends.

## ENVIRONMENTAL REGULATION

The company is not affected by any significant environmental regulation in respect of its operations.

## INSURANCE OF OFFICERS AND INDEMNITIES

During the financial year the club has paid a premium of $8,153 (2019: $8,153) in respect of the contract insuring all of the directors of the Club in a manner permissible under the Corporations Act 2001.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

# DIRECTORS' REPORT

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 16.

This report is made in accordance with a resolution of directors.

**Vincenzo Foti**
President

Bossley Park, NSW
21 September 2020

# *Auditor's Independence Declaration*

As lead auditor for the audit of Club Marconi Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

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

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

Manoj Santiago
Partner
PricewaterhouseCoopers

Sydney
21 September 2020

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# FINANCIAL STATEMENTS

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

| | NOTES | 2020<br>$ | 2019<br>$ |
|---|---|---|---|
| **Revenue from continuing operations** | 4 | 32,715,084 | 41,587,439 |
| **Government grants** | 5 | 1,262,500 | - |
| | | 33,977,584 | 41,587,439 |
| Raw materials and consumables used | | (1,675,087) | (2,607,491) |
| Consultancy service costs | | (233,522) | (65,770) |
| Contract service costs | | (1,738,955) | (1,854,768) |
| Depreciation and amortisation expense | 11, 12 (b) | (4,725,755) | (3,921,000) |
| Donations and club grants | | (492,772) | (589,971) |
| Employee benefits expenses | 6 | (9,817,314) | (12,017,131) |
| Entertainment, marketing and promotional costs | | (2,527,550) | (3,418,985) |
| Finance costs | | (630,721) | (765,158) |
| Member and member only expenses | | (25,900) | (34,910) |
| Legal expenses | | (5,265) | (16,789) |
| Occupancy | | (1,974,046) | (2,174,043) |
| Gaming machine licenses and duties | | (6,704,037) | (8,276,303) |
| Printing postage and stationery | | (291,055) | (397,338) |
| Repairs and Maintenance | | (829,446) | (795,226) |
| Other | | (3,357,177) | (3,951,305) |
| **(Loss)/profit before income tax** | | (1,051,018) | 701,251 |
| Income tax expense | | - | - |
| **(Loss)/profit for the year** | | (1,051,018) | 701,251 |
| **Other comprehensive income**<br>*Items that will not be reclassified to profit or loss* | | | |
| Gain on revaluation of land and buildings | 19(b) | - | 20,025,824 |
| **Other comprehensive income for the year, net of tax** | | - | 20,025,824 |
| **Total comprehensive income/(loss) for the year attributable to the members** | | (1,051,018) | 20,727,075 |

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

# FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2020

| | NOTES | 2020 $ | 2019 $ |
|---|---|---|---|
| ASSETS | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 2,948,028 | 2,088,838 |
| Trade and other receivables | 8 | 692,729 | 516,768 |
| Inventories | | 131,764 | 154,323 |
| Investments in financial assets | 9 | - | 750 |
| Other current assets | 10 | 583,240 | 342,695 |
| Total current assets | | 4,355,761 | 3,103,374 |
| **Non-current assets** | | | |
| Investments in financial assets | 9 | 100,795 | - |
| Property, plant and equipment | 11 | 102,451,811 | 116,935,893 |
| Right-of-use assets | 12 | 879,112 | - |
| Investment properties | 13 | 14,185,864 | - |
| Intangible assets | 14 | 7,576,344 | 6,598,752 |
| Total non-current assets | | 125,193,926 | 123,534,645 |
| Total assets | | 129,549,687 | 126,638,019 |
| LIABILITIES | | | |
| **Current liabilities** | | | |
| Trade and other payables | 15 | 5,819,565 | 3,879,501 |
| Lease liabilities | 12 | 337,334 | - |
| Financial liabilities | 17 | 1,008,728 | 1,295,204 |
| Employee benefit obligations | 16 | 1,290,719 | 1,578,314 |
| Other current liabilities | 18 | 2,169,762 | 260,425 |
| Total current liabilities | | 10,626,108 | 7,013,444 |
| **Non-current liabilities** | | | |
| Lease liabilities | 12 | 395,312 | - |
| Financial liabilities | 17 | 10,734,653 | 10,699,863 |
| Employee benefit obligations | 16 | 212,929 | 242,364 |
| Other non-current liabilities | 18 | 679,460 | 730,105 |
| Total non-current liabilities | | 12,022,354 | 11,672,332 |
| Total liabilities | | 22,648,462 | 18,685,776 |
| Net Assets | | 106,901,225 | 107,952,243 |
| EQUITY | | | |
| Other Reserves | 19(b) | 51,978,674 | 51,978,674 |
| Retained earnings | 19(a) | 54,922,551 | 55,973,569 |
| **Total Equity** | | **106,901,225** | **107,952,243** |

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

# FINANCIAL STATEMENTS

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

| | NOTES | REVALUATION RESERVES $ | RETAINED EARNINGS $ | TOTAL $ |
|---|---|---|---|---|
| Balance at 1 July 2018 | 19 | 31,952,850 | 55,272,318 | 87,225,168 |
| Profit for the year | | - | 701,251 | 701,251 |
| Other comprehensive income | 19(b) | 20,025,824 | - | 20,025,824 |
| Total comprehensive income for the year | 19(a), 19(b) | 20,025,824 | 701,251 | 20,727,075 |
| Balance at 30 June 2019 | 19 | 51,978,674 | 55,973,569 | 107,952,243 |
| Balance at 1 July 2019 | 19 | 51,978,674 | 55,973,569 | 107,952,243 |
| Loss for the year | | - | (1,051,018) | (1,051,018) |
| Total comprehensive income for the year | 19(a), 19(b) | - | (1,051,018) | (1,051,018) |
| **Balance at 30 June 2020** | **19** | **51,978,674** | **54,922,551** | **106,901,225** |

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

# FINANCIAL STATEMENTS

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 JUNE 2020

| | NOTES | 2020 $ | 2019 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers (inclusive of goods and services tax) | | 35,684,872 | 44,742,079 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | (31,568,399) | (39,877,224) |
| Interest received | | 17,715 | 17,344 |
| Finance costs | | (630,721) | (765,158) |
| Rent received | | 623,855 | 615,424 |
| Government grants received | | 830,500 | - |
| **Net cash inflow from operating activities** | | **4,957,822** | **4,732,465** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for property, plant and equipment | | (3,097,870) | (5,220,300) |
| Payments for investment property | | (985,864) | - |
| Proceeds from sale of property, plant and equipment | | 1,563 | 12,193 |
| Payment for poker machine entitlements | | (977,592) | (925,000) |
| Call option fee received | | 1,600,000 | - |
| **Net cash (outflow) from investing activities** | | **(3,459,763)** | **(6,133,107)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | | 940,500 | 3,988,785 |
| Repayment of borrowings | | (905,583) | (2,608,314) |
| Principal elements of lease (2019: finance lease) payments | | (673,786) | - |
| Finance lease and hire purchase repayments | | - | (409,938) |
| **Net cash inflow / (outflow) from financing activities** | | **(638,869)** | **970,533** |
| Net increase / (decrease) in cash and cash equivalents | | 859,190 | (430,109) |
| Cash and cash equivalents at the beginning of the financial year | | 2,088,838 | 2,518,947 |
| **Cash and cash equivalents at end of year** | 7 | **2,948,028** | **2,088,838** |

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

# FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS
## 30 JUNE 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in the other notes below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Club Marconi Limited for the year ended 30 June 2020.

### a. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Club Marconi Limited is a not-for-profit entity for the purpose of preparing the financial statements.

**(i) Compliance with Australian Accounting Standards - Reduced Disclosure Requirements**
The financial statements of Club Marconi Limited comply with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB). The financial report also complies with the Australian Accounting Standards requirements specific to non-for-profit entities, including standards AASB 116 Property, Plant and Equipment and AASB 136 Impairment of Assets.

**(ii) Historical cost convention**
These financial statements have been prepared under the historical cost basis.

**(iii) Going concern**
As at 30 June 2020 Club Marconi Limited has a working capital deficiency of $6,270,347 (2019: $3,910,069).

The working capital deficiency has been caused by the following events:

a. COVID 19 was declared a global pandemic on 11 March 2020 by the World Health Organisation. This triggered the shutdown of the Club and its operations during March to June 2020 by the Australian Government. This action was taken by the Government in order to prevent the spread of the virus as the nature of the Clubs and hospitality industry naturally entails the congregation of people.

b. The forced shutdown of the Club has resulted in a significant decline in Revenues, Net Profit and Cashflow from Operations during the last quarter of FY2020.

c. Whilst the Club has reopened in mid-June 2020, the number of patrons allowed into the club is limited as per current Government regulations to enforce social distancing. This naturally limits the amount of revenue and cashflows the Club can generate.

d. The reduction in cashflow has caused the Trade and other payables balance to increase as payments have been deferred with suppliers. In particular the Provision for Gaming machine duty at 30 June 2020 has increased to $2,900,278 (2019: $698,772)

e. In December 2019, the Club granted an option over the sale of land at the Narellan site for a $1.6m call option fee. This is currently recognised as a current other liability (note 18) until the expiration of the call option period at December 2020.

## NOTES TO THE FINANCIAL STATEMENTS
## 30 JUNE 2020 (CONTINUED)

Management believes the above working capital deficiency will be satisfied through:

a. The Club's ability to trade profitability and generate cashflows from normal operating activities noting that the July 2020 results are positive;

b. Bank overdraft facility available of $349,158 and Bank bill facility available of $2,216,505 (note 17);

c. The Gaming Machine duty payable of $2,582,134 will be paid via a payment plan with Revenue NSW. Repayments are to commence in September 2020 and will see the club pay 12 equal monthly installments until August 2021;

d. The Club's ongoing eligibility to receive the Government's Job keeper grant until at least September 2020;

e. The Bank has also provided a waiver of covenants relating to the Club's borrowings outlined in note 17 until 31 December 2020. The Club expects to be able to meet debt covenants at that time, due to the improvements in trading results; and

f. Expected milestone receipt of another $1.6m being the Call Option Extension fee in relation to the sale of the Land at Narellan. This is expected to be received on or before December 2020.

The directors are of the opinion the above will be achieved and the company will continue as a going concern and meet debts and commitments as they fall due. As a result, the directors have prepared the financial report on a going concern basis.

**(iv) New and amended standards adopted by the company**

The company has applied the following standards and amendments for the first time in their annual reporting period commencing 1 July 2019:

- AASB 16 Leases

The Company elected to adopt the new rules on a modified, retrospective basis as at 1 July 2019. Details are disclosed in note 2. The changes in accounting policies have not impacted the amounts recognised in prior periods.

**(v) New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 accounting periods, including:

- AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Entities - mandatory from 1 July 2021.

The Company does not plan to adopt this standard early.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting years and on foreseeable future transactions.

### b. Foreign currency translation

**(i) Functional and presentation currency**

Items included in the financial statements of the Club are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

## NOTES TO THE FINANCIAL STATEMENTS
### 30 JUNE 2020 (CONTINUED)

The financial statements are presented in Australian dollars ($), which is Club Marconi Limited's functional and presentation currency.

### c. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities using the methods outlined below.

(i) Sale of goods

Timing of recognition: Revenue from the sale of goods comprises revenue earned from the provision of food, beverage and other goods and is recognised at the point of time of the sale as this corresponds to the transfer of control, significant risks and rewards of ownership of the goods.

Measurement of revenue: The Company considers whether there are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties, and customer loyalty points). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

(ii) Rendering of services - gaming

Timing of recognition: Revenue from rendering of services from gaming facilities to members and other patrons of the club is recognised when the services are provided.

Measurement of revenue: Gaming revenue is measured at the fair value of the consideration received from the net position of the wagers placed less customer winnings paid out.

(iii) Rendering of services - Other

Timing of recognition: Revenue from rendering services - other comprises revenue from Advertising and Sponsorship which is recognised overtime as the services are provided.

Measurement of revenue: The company recognises services - other revenue over time with reference to the transaction price over the contract period. The majority of such contracts have a term of 12 months.

(iv) Membership subscriptions

Timing of recognition: Membership subscriptions are recognised over the term of membership and any unearned portion is deferred and included in revenue received in advance.

Measurement of revenue: Membership revenue is measured with reference to the transaction price for the service and the number of periods the customer has paid for.

(v) Interest income

Timing of recognition: Interest income is recognised overtime with reference to the principal balance of the financial asset and it's applicable interest rate.

Measurement of revenue: For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

(vi) Rental revenue

Timing of recognition: Rental income is recognised in the statement of profit or loss and other comprehensive income on a straight line basis over the term of the lease.

Measurement of revenue: The company recognises rental revenue on a straight line basis with reference to the applicable CPI increases, discount rates and any relevant rental incentives.

(vii) Other revenue

Sale of property, plant and equipment

Timing of recognition: Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the company due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

Measurement of revenue: The revenue is measured at the amount receivable under the contract. It is discounted to present value if deferred payments have been agreed and the impact of discounting is material.

### d. Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions.

### e. Income tax

The company has a tax exemption under Section 50-1 of ITAA for the period 1 July 2019 to 30 June 2023.

### f. Leases

Until 30 June 2019, leases of property, plant and equipment where the company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease year so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

## NOTES TO THE FINANCIAL STATEMENTS
## 30 JUNE 2020 (CONTINUED)

Lease income from operating leases where the company is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the company under residual value guarantees,
- the exercise price of a purchase option if the company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Club Marconi Limited, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,

- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the company.

### g. Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

### h. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

### i. Trade receivables

The company applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS
## 30 JUNE 2020 (CONTINUED)

### j. Inventories

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

The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory is valued using the weighted average cost method.

### k. Financial assets

#### (i) Classification

The company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The company reclassifies debt investments when and only when its business model for managing those assets changes.

#### (ii) Reclassification

The company may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

#### (iii) Measurement

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the income statement.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The company subsequently measures all equity investments at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' - in profit or loss within other income or other expenses

# FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS
## 30 JUNE 2020 (CONTINUED)

- for available-for-sale financial assets that are monetary securities denominated in a foreign currency - translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale - in other comprehensive income.

When securities classified as available-for-sale were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to profit or loss as gains and losses from investment securities.

(iv) Impairment

The company assesses at the end of each reporting year whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

### l. Property, plant and equipment

Land and buildings are recognised at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. A revaluation surplus is credited to other reserves in shareholders' equity. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amounts of the assets and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

| | |
|---|---|
| • Buildings | 40 years |
| • Furniture, fittings and equipment | 12 years |
| • Plant and machinery | 4 - 10 years |
| • Motor vehicles | 8 years |
| • Leased plant and equipment | 8 years |

| | |
|---|---|
| • Gaming machines and accessories | 3 to 15 years |
| • Leasehold improvements | Shorter of lease term and 14 years |

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is company policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

## m. Investment properties

Investment properties are held for long-term rental yields and are not occupied by the company. They are carried at fair value. Changes in fair values are presented in profit or loss as part of other income.

## n. Intangible assets

### (i) Gaming machine entitlements

Gaming machine entitlements are not amortised as they are deemed to have an indefinite useful life. They have an indefinite useful life as they do not expire and under current government legislation there is no plan to remove such entitlements. As a result, gaming machine entitlements are tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and are carried at cost less accumulated impairment losses.

## o. Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## p. 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 profit or loss over the year of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the year of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

## NOTES TO THE FINANCIAL STATEMENTS
## 30 JUNE 2020 (CONTINUED)

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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 year.

### q. Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### r. Employee benefits

#### (i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave that are expected to be settled within 12 months after the end of the period are recognised in respect of employees' services up to the end of the reporting period. They are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

#### (ii) Other long-term employee benefit obligations

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 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 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 end of the reporting period of corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

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 twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

## NOTES TO THE FINANCIAL STATEMENTS
## 30 JUNE 2020 (CONTINUED)

(iii) Retirement benefit obligations

Contributions to the defined contribution section of the company's superannuation plan and other independent defined contribution superannuation funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The company has no legal or constructive obligation to fund any deficit.

### s. Customer loyalty program

The company operates a loyalty program where customers accumulate points for dollars spent. The award points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale. Revenue from the award points is recognised when the points are redeemed. The amount of revenue is based on the number of points redeemed relative to the total number expected to be redeemed.

### t. Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Commitments and Contingencies are disclosed net of GST recoverable or payable to the taxation authority.

## 2. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of AASB 16 Leases on the company's financial statements.

As indicated in note 1(a) above, the company has adopted AASB 16 Leases retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting year, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policies are disclosed in note 1(f).

On adoption of AASB 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.0%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

## NOTES TO THE FINANCIAL STATEMENTS
### 30 JUNE 2020 (CONTINUED)

(i) Practical expedients applied

In applying AASB 16 for the first time, the company has used the following practical expedients permitted by the standard:

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. instead, for contracts entered into before the transition date the company relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contain a Lease.

(ii) Measurement of lease liabilities

| | 2020 $ |
|---|---|
| Operating lease commitments disclosed as at 30 June 2019 | - |
| Discounted using the lessee's incremental borrowing rate of at the date of initial application | |
| Add: finance lease liabilities recognised as at 30 June 2019 | 286,605 |
| (Less): short-term leases not recognised as a liability | |
| (Less): low-value leases not recognised as a liability | |
| Add/(less): contracts reassessed as lease contracts | - |
| Add/(less): adjustments as a result of a different treatment of extension and termination options | - |
| Add/(less): adjustments relating to changes in the index or rate affecting variable payments | - |
| **Lease liability recognised as at 1 July 2019** | **286,605** |
| Of which are: | |
| Current lease liabilities | 286,605 |
| Non-current lease liabilities | - |
| | 286,605 |

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the company's accounting policies.

### a. Significant estimates and judgements

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

### b. Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

# FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS
## 30 JUNE 2020 (CONTINUED)

(i) Poker machine entitlements

As discussed in note 1(n) impairment of gaming machine entitlements is recognised based on fair value less costs to sell or on value in use calculations and is measured at the present value of the estimated future cash inflows available to the company from the use of these licenses. In determining the present value of the cash inflows growth rate and appropriate discount factor have been considered.

(ii) Estimated fair values of land and buildings and investment properties

The company carries its investment properties and the land and buildings of property, plant and equipment at fair value. Changes in fair value of investment properties are recognised in profit or loss. Changes in fair value of property, plant and equipment is recognised as revaluation surplus or deficit as revaluation reserve in shareholders' equity. The company obtains independent valuations at least annually. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations.

The fair value assessment at reporting date includes the best estimates of the impacts of the COVID-19 pandemic using information available at the time of preparation of the financial statements.

In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may impact the fair value of land and buildings and investment properties.

(iii) Deed of Call Option issues over Land at Narellan.

As discussed in Note 18, during the year the company issued a deed of call option ("deed") over the land held at Narellan. As part of the agreement, the Grantee simultaneously provided Club Marconi an option (until 30 September 2020) to lease this land back for a minimum of 50 years.

As at the date if signing the annual report for 30 June 2020:

- The directors have not exercised the lease option.
- Have commenced discussions with the Grantee to extend the exercise period of the option to 31 December 2020.
- The directors and management of Club Marconi have the intention to negotiate new terms due to the COVID-19 operating environment and may execute this 50-year agreement at a later date.

Some or all aspects of the deed may be treated as a "Sale and Leaseback" transaction under AASB 16 depending on the final terms agreed and executed upon.

In the annual report for 30 June 2020, the Option Fee received of $1.6m has been recognised as a current liability (Note 18). NO revenue has been recogised in relation to this transaction as the sale of land has not yet met the revenue recognition criteria.

No other accounting entries have been made in relation to this agreement.

## NOTES TO THE FINANCIAL STATEMENTS
## 30 JUNE 2020 (CONTINUED)

### 4. REVENUE

Disaggregation of revenue from contracts with customers

| 2020 | SALE OF GOODS $ | RENDERING OF SERVICES $ | RENT REVENUE $ | REGISTRATION FEES $ | COMMISSION REVENUE $ | INTEREST RECEIVED $ | SUNDRY REVENUE $ | GAINS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT $ | TOTAL $ |
|---|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | 4,308,368 | 26,948,564 | 623,856 | 116,284 | 296,890 | 17,715 | 208,270 | 195,137 | 32,715,084 |
| Timing of revenue recognition | | | | | | | | | |
| Point of time | 4,308,368 | 26,661,793 | - | - | 296,890 | - | 208,270 | 195,137 | 31,670,458 |
| Overtime | - | 286,771 | 623,856 | 116,284 | - | 17,715 | - | - | 1,044,626 |
| | 4,308,368 | 26,948,564 | 623,856 | 116,284 | 296,890 | 17,715 | 208,270 | 195,137 | 32,715,084 |

# FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS
### 30 JUNE 2020 (CONTINUED)

Disaggregation of revenue from contracts with customers (continued)

| 2019 | SALE OF GOODS $ | RENDERING OF SERVICES $ | RENT REVENUE $ | REGISTRATION FEES $ | COMMISSION REVENUE $ | INTEREST RECEIVED $ | SUNDRY REVENUE $ | GAINS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT $ | TOTAL $ |
|---|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | 6,550,708 | 33,338,595 | 615,424 | 433,848 | 404,752 | 17,344 | 92,467 | 134,301 | 41,587,439 |
| Timing of revenue recognition | | | | | | | | | |
| Point of time | 6,550,708 | 32,656,255 | - | - | 404,752 | - | 92,467 | 134,301 | 39,838,483 |
| Overtime | - | 682,340 | 615,424 | 433,848 | - | 17,344 | - | - | 1,748,956 |
| | 6,550,708 | 33,338,595 | 615,424 | 433,848 | 404,752 | 17,344 | 92,467 | 134,301 | 41,587,439 |

# FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS
## 30 JUNE 2020 (CONTINUED)

### 5. GOVERNMENT GRANTS

| | 2020 $ | 2019 $ |
|---|---|---|
| Government grant | 1,262,500 | - |

Due to the COVID-19 pandemic, the company received the JobKeeper payment, a wage subsidy, in the form of cash payments from the government.

The subsidy is receivable fortnightly, if eligibility criteria for the subsidy are met for the latest fortnightly period. There are no unfulfilled conditions or other contingencies attaching to these grants.

### 6. EXPENSES

| | 2020 $ | 2019 $ |
|---|---|---|
| *Employee Benefit expenses* | 755,825 | 903,847 |
| Defined contribution superannuation expense | | |

### 7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

| | 2020 $ | 2019 $ |
|---|---|---|
| Cash at bank and in hand | 2,948,028 | 2,088,838 |

### 8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

| | 2020 $ | 2019 $ |
|---|---|---|
| **Current Assets** | | |
| Debtors - Trade | 187,773 | 388,761 |
| Government grant receivables* | 492,107 | - |
| Other receivables | 12,849 | 128,007 |
| *Refer to note 5. | 692,729 | 516,768 |

### 9 INVESTMENTS IN FINANCIAL ASSETS

| | 2020 $ | 2019 $ |
|---|---|---|
| **Current Assets** | | |
| Australian unlisted equity securities | - | 750 |
| **Non-Current Assets** | | |
| Australian unlisted equity securities | 100,795 | - |
| | 100,795 | 750 |

The company classifies equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income at fair value through profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS
## 30 JUNE 2020 (CONTINUED)

### 10 CURRENT ASSETS - OTHER CURRENT ASSETS

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Prepayment - Other | 392,570 | 176,293 |
| Prepayment - APRA | - | 1,457 |
| Prepayment - General Insurance | 190,670 | 153,039 |
| Prepayment - Interest | - | 11,906 |
| | 583,240 | 342,695 |

### 11. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

| NON-CURRENT | FREEHOLD LAND AND BUILDINGS $ | PLANT AND EQUIPMENT $ | FURNITURE, FITTINGS AND EQUIPMENT $ | MOTOR VEHICLES $ | LEASEHOLD IMPROVEMENTS $ | LEASED PLANT AND EQUIPMENT $ | POKER MACHINES AND ACCESORIES $ | CAPITAL WORK IN PROGRESS $ | TOTAL $ |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 July 2018** | | | | | | | | | |
| Cost | - | 2,085,560 | 16,568,767 | 158,909 | 1,027,795 | 1,216,960 | 15,547,339 | 2,417,878 | 39,023,208 |
| Valuation | 79,469,616 | - | - | - | - | - | - | - | 79,469,616 |
| Accumulated depreciation | (1,154,753) | (1,719,389) | (8,193,565) | (79,733) | (613,551) | (1,216,960) | (11,046,665) | - | (24,024,616) |
| Net book amount | 78,314,863 | 366,171 | 8,375,202 | 79,176 | 414,244 | - | 4,500,674 | 2,417,878 | 94,468,208 |
| **Year ended 30 June 2019** | | | | | | | | | |
| Opening net book amount | 79,469,616 | 366,171 | 8,375,202 | 79,176 | 414,244 | - | 4,500,674 | 2,417,878 | 95,622,961 |
| Revaluation surplus | 20,025,824 | - | - | - | - | - | - | - | 20,025,824 |
| Additions | 1,311,723 | 37,400 | 2,020,560 | - | - | - | 1,499,099 | 351,519 | 5,220,301 |
| Disposals | - | - | (7,375) | - | - | - | (4,818) | - | (12,193) |
| Transfers | 1,550,296 | - | 184,983 | - | - | - | - | (1,735,279) | - |
| Depreciation charge | (1,157,459) | (72,854) | (1,365,498) | (24,315) | (65,071) | - | (1,235,803) | - | (3,921,000) |
| Closing net book amount | 101,200,000 | 330,717 | 9,207,872 | 54,861 | 349,173 | - | 4,759,152 | 1,034,118 | 116,935,893 |
| **At 30 June 2019** | | | | | | | | | |
| Cost | - | 2,122,960 | 18,766,936 | 158,909 | 1,027,795 | 1,216,960 | 16,493,731 | 1,034,118 | 40,821,409 |
| Valuation | 101,200,000 | - | - | - | - | - | - | - | 101,200,000 |
| Accumulated depreciation | - | (1,792,243) | (9,559,064) | (104,048) | (678,622) | (1,216,960) | (11,734,579) | - | (25,085,516) |
| Net book amount | 101,200,000 | 330,717 | 9,207,872 | 54,861 | 349,173 | - | 4,759,152 | 1,034,118 | 116,935,893 |

# FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS
## 30 JUNE 2020 (CONTINUED)

### 11. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| NON-CURRENT | FREEHOLD LAND AND BUILDINGS $ | PLANT AND EQUIPMENT $ | FURNITURE, FITTINGS AND EQUIPMENT $ | MOTOR VEHICLES $ | LEASEHOLD IMPROVEMENTS $ | LEASED PLANT AND EQUIPMENT $ | POKER MACHINES AND ACCESORIES $ | CAPITAL WORK IN PROGRESS $ | TOTAL $ |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 July 2019** | | | | | | | | | |
| Cost | - | 2,122,960 | 18,766,936 | 158,909 | 1,027,795 | 1,216,960 | 16,493,731 | 1,034,118 | 40,821,409 |
| Valuation | 101,200,000 | - | - | - | - | - | - | - | 101,200,000 |
| Accumulated depreciation | - | (1,792,243) | (9,559,064) | (104,048) | (678,622) | (1,216,960) | (11,734,579) | - | (25,085,516) |
| Net book amount | 101,200,000 | 330,717 | 9,207,872 | 54,861 | 349,173 | - | 4,759,152 | 1,034,118 | 116,935,893 |
| **Year ended 30 June 2020** | | | | | | | | | |
| Opening net book amount | 101,200,000 | 330,717 | 9,207,872 | 54,861 | 349,173 | - | 4,759,152 | 1,034,118 | 116,935,893 |
| Additions | 136,880 | 5,900 | 322,063 | - | - | - | 1,349,965 | 1,301,271 | 3,116,079 |
| Disposals | - | - | - | - | - | - | (1,563) | - | (1,563) |
| Transfers | (13,197,390) | - | 110,328 | - | - | - | - | (131,147) | (13,218,209) |
| Depreciation charge | (1,418,287) | (66,215) | (1,426,599) | (24,314) | (65,072) | - | (1,379,902) | - | (4,380,389) |
| Closing net book amount | 86,721,203 | 270,402 | 8,213,664 | 30,547 | 284,101 | - | 4,727,652 | 2,204,242 | 102,451,811 |
| **At 30 June 2020** | | | | | | | | | |
| Cost | - | 2,128,860 | 19,198,046 | 158,909 | 1,027,795 | 1,216,960 | 13,628,439 | 2,204,242 | 39,563,251 |
| Valuation | 88,139,491 | - | - | - | - | - | - | - | 88,139,491 |
| Accumulated depreciation | (1,418,288) | (1,858,458) | (10,984,382) | (128,362) | (743,694) | (1,216,960) | (8,900,787) | - | (25,250,931) |
| Net book amount | 86,721,203 | 270,402 | 8,213,664 | 30,547 | 284,101 | - | 4,727,652 | 2,204,242 | 102,451,811 |

The company has reclassified the Land held at Narellan as an Investment Property as its carrying amount will be recovered principally through rental income and capital appreciation rather than the use in the ordinary course of business.

Refer note 3 for information on valuation.

## NOTES TO THE FINANCIAL STATEMENTS
## 30 JUNE 2020 (CONTINUED)

### 11. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CONTINUED )

#### Valuation

An independent valuation was undertaken by CBRE Valuations Pty Ltd for the year ended 30 June 2020 resulting in no adjustment in the fair value of the company's land and buildings (2019: increase $20,025,824).

#### Core properties

All the club land and buildings located at 121 - 133 Prairie Vale Road, Bossley Park, NSW 2176 was identified as the club's core properties in accordance with Section 41J of the Registered Clubs Amendment Act 2006.

#### Non-core properties

The club's land located at 2a Porrende Street, Narellan, NSW 2567 and part of Lot 3B in Deposited Plan 407243 located at 121-133 Prairie Vale Road, Bossley Park NSW 2176 has been identified as the club's non-core properties in accordance with Section 41J of the Registered Clubs Amendment Act 2006.

The club's investment property located at 35 Holbrook Street Bossley Park NSW 2176 has been identified as the club's non-core properties in accordance with Section 41J of the Registered Clubs Amendment Act 2006.

### 12. LEASES

This note provides information for leases where the company is a lessee.

(a) **Amounts recognised in the balance sheet**

The statement of financial position shows the following amounts relating to leases:

| | 30 JUNE 2020 $ | 1 JULY 2019 $ |
|---|---|---|
| **Right-of-use assets** * | | |
| Gaming machine entitlements | 879,112 | - |
| | 879,112 | - |

| | 30 JUNE 2020 $ | 1 JULY 2019 $ |
|---|---|---|
| **Lease liabilities** | | |
| Current | 337,334 | 286,605 |
| Non-Current | 395,312 | - |
| | 732,646 | 286,605 |

*In the previous year, the company only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the company's borrowings. For adjustments recognised on adoption of AASB 16 on 1 July 2019, please refer to note 2.

## NOTES TO THE FINANCIAL STATEMENTS
## 30 JUNE 2020 (CONTINUED)

Additions to the right-of-use assets during the 2020 financial year were $879,112.

**(b) Amounts recognised in the statement of profit or loss**

The income statement shows the following amounts relating to leases:

| | 2020 $ | 2019 $ |
|---|---|---|
| **Depreciation charge of right-of-use assets** | | |
| Gaming machine entitlements | 345,366 | - |
| | 345,366 | - |
| Interest expense (included in finance cost) | 39,846 | - |

**(c) The company's leasing activities and how these are accounted for**

The company has only one existing lease of gaming machine entitlement for a fixed period of 3 years, with an extension option of 2 years.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases were classified as either finance leases or operating leases, see note 1(f) for details. From 30 June 2020 leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the company under residual value guarantees,
- the exercise price of a purchase option if the company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

## NOTES TO THE FINANCIAL STATEMENTS
## 30 JUNE 2020 (CONTINUED)

To determine the incremental borrowing rate, the company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- makes adjustments specific to the lease, eg term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

**(d) Extension and termination options**

The company has not included extension option by applying the practical expedient of using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

### 13. NON-CURRENT ASSETS - INVESTMENT PROPERTIES

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Non-current assets - at fair value** | | |
| Opening balance at 1 July | - | - |
| Additions | 985,864 | - |
| Reclassification from Land and Buildings (note 11) | 13,200,000 | - |
| Closing balance at 30 June | 14,185,864 | - |

## NOTES TO THE FINANCIAL STATEMENTS
## 30 JUNE 2020 (CONTINUED)

### 14. NON-CURRENT ASSETS - INTANGIBLE ASSETS

| | 2020<br>$ | 2019<br>$ |
|---|---:|---:|
| Gaming machine entitlements - at cost | 7,576,344 | 6,598,752 |

#### Entitlement

Gaming machine entitlements are indefinite life intangible assets. No material impairment charge was recognised in relation to it. The recoverable amount of the gaming machine entitlement is based on the fair value less costs to sell. The fair value less costs to sell has been determined primarily using level 2 input, quoted price in active markets, according to AASB 13 Fair Value Measurement.

### 15. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

| | 2020<br>$ | 2019<br>$ |
|---|---:|---:|
| Trade creditors | 1,864,296 | 2,157,854 |
| Goods and services tax (GST) payable | 83,430 | 234,558 |
| Other creditors and accruals | 971,561 | 788,317 |
| Provision for Poker Machine Duty | 2,900,278 | 698,772 |
| | 5,819,565 | 3,879,501 |

### 16. EMPLOYEE BENEFIT OBLIGATIONS

Aggregate liability for employee benefits including on-costs:

| | 2020<br>$ | 2019<br>$ |
|---|---:|---:|
| Current | 1,290,719 | 1,578,314 |
| Non-current | 212,929 | 242,364 |
| | 1,503,648 | 1,820,678 |

**(i) Leave obligations**

The leave obligations cover the company's liabilities for long service leave and annual leave.

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances.

The present value of employee benefits not expected to be settled within 12 months of the reporting date has been calculated using the following weighted averages:

Assumed rate of increase in wage and salary rates

| | 2020 | 2019 |
|---|---:|---:|
| Inflation Rate | 1.30% | 1.30% |
| Discount Rate | 2.06% | 2.06% |

## NOTES TO THE FINANCIAL STATEMENTS
## 30 JUNE 2020 (CONTINUED)

### 17. FINANCIAL LIABILITIES

#### Borrowings

| | 2020 $ | 2019 $ |
|---|---|---|
| **Current** | | |
| **Secured** | | |
| Finance lease liability* | - | 286,605 |
| Members' Loan | 8,720 | 8,591 |
| Bank Bill Facility Principal & Interest | 1,000,008 | 1,000,008 |
| | 1,008,728 | 1,295,204 |
| **Non-Current** | | |
| **Secured** | | |
| Bank Bill Facility Principal & Interest | 3,305,808 | 4,211,518 |
| Bank Bill Facility Interest Only | 7,428,845 | 6,488,345 |
| | 10,734,653 | 10,699,863 |

* See note 2 for details about the impact from changes in accounting policies.

#### Defaults and breaches

There were no defaults or breaches on any borrowings made by the company in either the current or previous financial year.

The company has received with a debt covenant waiver until December 2020. This waiver was received via a letter dated 29 May 2020 from the Bank, allowing for the loans to remain as current and non-current on the balance sheet as per their original terms.

#### Financing arrangements

The company has access to the following lines of credit:

| | 2020 $ | 2019 $ |
|---|---|---|
| **Total facilities available:** | | |
| Bank overdraft | 750,000 | 750,000 |
| Bank Bill facility | 13,951,166 | 14,773,545 |
| Business card | 22,500 | 22,500 |
| | 14,723,666 | 15,546,045 |
| **Facilities utilised at reporting date:** | | |
| Bank overdraft | (400,842) | (530,145) |
| Bank Bill Facility | (11,734,661) | (11,699,871) |
| | (12,135,503) | (12,230,016) |

## NOTES TO THE FINANCIAL STATEMENTS
## 30 JUNE 2020 (CONTINUED)

### Bank overdraft

The company has a bank overdraft facility of $750,000 (2019: $750,000) from the Commonwealth Bank of Australia. Interest is charged at an Index Rate of 7.44%. This facility has an indefinite revolving term.

### Bank bill facility

The bank bill facility from the Commonwealth Bank is based on a combined bill rate which includes variable portions (2019: capped, fixed and variable portions) which at year end had an interest rate of 3.22% (2019: 3.5215%).

Bank Bill Facility - Principal & Interest requires a monthly repayment of $94,750 (2019: $83,334) of principal and interest.

Bank Bill Facility - Interest Only requires interest payments monthly with principal repayment due at maturity (19 July 2024).

### Security

The bank overdraft and the bank bill facility are secured by;

a. First Registered Mortgage by the company over the property located at 121 - 133 Prairie Vale Road, Bossley Park, NSW 2176.
b. A Registered Equitable Mortgage by the company over the whole of its assets and undertakings including uncalled capital.
c. First Registered Mortgage by the company over the property located at 2A Porrende Street, Narellan, NSW 2567.

The carrying amount of the pledged assets is as follows:

| | 2020 $ | 2019 $ |
|---|---|---|
| Freehold land | 42,000,000 | 42,000,000 |
| Buildings | 57,921,203 | 59,200,000 |
| Plant and equipment (less: finance lease liabilities) | 15,730,608 | 15,449,288 |
| **Total pledged** | **115,651,811** | **116,649,288** |

## 18. OTHER LIABILITIES

| | 2020 $ | 2019 $ |
|---|---|---|
| Current | | |
| Contract liabilities - other income received in advance | 408,763 | 48,201 |
| Contract liabilities - membership subscription | 133,481 | 184,706 |
| Contract liabilities - rent prepayment | 27,518 | 27,518 |
| Call option fee received | 1,600,000 | - |
| | 2,169,762 | 260,425 |

## NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2020 (CONTINUED)

| | 2020 $ | 2019 $ |
|---|---|---|
| Non-Current | | |
| Contract liabilities - membership subscription | 110,774 | 133,901 |
| Contract liabilities - rent prepayment | 568,686 | 596,204 |
| | 679,460 | 730,105 |

Members can pay their subscription on an annual, 3 year, 5 year or 10 years basis. Members subscriptions paid for more than 1 year are amortised over the period of subscription.

Call Option Fee received of $1,600,000 relates to the Deed of Call Option entered on 12 December 2019 between Club Marconi Limited and Cloudbus Property Narellan Pty Ltd (the Grantee), as Trustee for the CBP Narellan Unit Trust. This represents the fee for granting the call option to the Grantee to purchase the non-core property of Club Marconi Limited at 2a Porrende Street, Narellan, NSW 2567 at the purchase price of $16,000,000 within the Call Option Period. The Call Option Period is from 12 December 2019 to 12 December 2020, and subject to a further extension to 12 December 2021, provided an additional extension fee of $1,600,000 is paid to Club Marconi Limited.

The call option fee received will be treated as a part of purchase price paid, if the call option is duly exercised and completed. If the call option is not duly exercised by the Grantee within the Call Option Period, the Call Option Fee and the Extension Fee (if paid) will be immediately forfeited to Club Marconi. If the call option is duly exercised and the transaction is not complete because of a default by Club Marconi, the Call Option Fee and the Extension Fee must be remitted to the Grantee on demand.

Club Marconi is bound by the following obligations pending exercise of the call option:

- Maintain the property subject to fair wear and tear;
- Keep the property clean and free of debris and contaminations; and
- Insure the property for its full insurable value noting the interest of the Grantee on the policy.
- The Grantee accepts the property in its present condition and state of repair and acknowledges Remedial work is required to the property.
- The Club cannot create any mortgage, charge, lien, lease, licence, option, encumbrance or any adverse claim or interest concerning the property without the written consent of the Grantee such consent not to be unreasonably withheld;
- The Club cannot deal with the property in any manner inconsistent with the Grantee's right under the deed including, without limiting the generality of foregoing, sell or otherwise dispose of the property without the Grantee's written consent.
- The Club will provide the Grantee with information they require to enable the Grantee to make their decisions.
- If the Remedial works on the site exceed $4m, then Club Marconi will be liable for costs in excess of $4m upon completion of the contract.
- In the event the Club breaches the deed causing the Call Option not being exercised or if the Contract of Sale is not completed due to breach of the Club, the Club must pay the Grantee the cost of the Remedial Works.

The above summary is obtained from clause 9 and 11 of the deed.

Under clause 12 of the deed, the Grantee / Purchaser granted to the Club Marconi an Option to lease the

## NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2020 (CONTINUED)

above property. The option term is until 30 September 2020. The agreement to Lease shall be for a minimum 50 year term and shall include a Concept Plan for any proposed improvement required by Club Marconi on the property. The Club will within 30 days of receipt of the proposed Agreement to Lease accept or reject the proposal. In the event Club Marconi does not accept the proposal, then the right to such Option lapses.

The proposed lease agreement of the land and its improvements includes an option for Club Marconi to purchase the property back from the purchaser after the lease term.

As at the date of signing the accounts for FY2020, the Club does not have a firm decision regarding the acceptance or rejection of such a proposal regarding the Agreement to Lease.

### 19. RESERVES AND RETAINED EARNINGS

**(a) Retained earnings**

Movements in retained earnings were as follows:

| | 2020 $ | 2019 $ |
|---|---|---|
| Balance 1 July | 55,973,569 | 55,272,318 |
| Net profit/(loss) for the period | (1,051,018) | 701,251 |
| **Balance 30 June** | **54,922,551** | **55,973,569** |

**(b) Other reserves**

| | 2020 $ | 2019 $ |
|---|---|---|
| Balance 1 July | 51,978,674 | 31,952,850 |
| Revaluation on land and buildings | - | 20,025,824 |
| **Balance 30 June** | **51,978,674** | **51,978,674** |

### ASSET REVALUATION RESERVE

Asset revaluation reserve represents the reserve created on fair valuation of land and buildings. The carrying value of the reserve as at 30 June 2020 is $51,978,674 (2019: $51,978,674).

### 20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

**(a) Contingent liabilities**

The company had contingent liabilities at 30 June 2020 in respect of a bank Guarantee with TAB Corp Limited for $13,000 (2019: $13,000).

## NOTES TO THE FINANCIAL STATEMENTS
## 30 JUNE 2020 (CONTINUED)

### 21. COMMITMENTS

#### (a) Finance lease liability

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Within one year | - | 286,605 |

From 1 July 2019, the company has recognised right-of-use assets for operating leases as it adopted AASB16 Leases. The finance lease brought forward from 2019 has been expired in 2020.

#### (b) Capital expenditure commitments

As at 30 June 2020 Club Marconi Limited has the following capital commitments:

- Club Marconi Limited has entered into a design and construction contract on 29 May 2020 with Odyssey Interiors (NSW) Pty Ltd to refurbish its reception area located at the ground floor of the Club. The contract term is 15 weeks from 29 May 2020 and the total contract price of $1,298,954 was not paid as at 30 June 2020.
- Club Marconi Limited has committed a total $150,000 contributed as its 3% equity interest in Clubs4fun Pty Ltd, where the $150,000 was scheduled as three equal instalment of $50,000 each. As at 30 June 2020, $100,000 has been paid and the payment date of the remaining $50,000 is dependent on the progress of the online gaming platform setup by Clubs4fun Pty Ltd.

### 22. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The coronavirus disease 2019 (COVID-19) outbreak continues subsequent to the company's year end. In the current environment it is challenging to predict with certainty the expected impact of COVID-19 on the results of the company for the year ending 30 June 2021.

Despite this, management and the directors are continuing to monitor trading conditions and cash flows in order to adapt to the new environment.

Club Marconi Limited has been in negotiation of entering into a gaming machine entitlement purchase agreement with Hungarian (Magyar) Social Club Ltd to purchase three gaming machine entitlements with a consideration of $300,000. The agreement has not yet been endorsed as of the annual report date. However, management assessed that it is highly likely that the transaction will proceed. Management considered the impact of the transaction to the company's financial performance would be insignificant.

### 22. KEY MANAGEMENT PERSONNEL DETAILS AND DISCLOSURES

#### a. Directors

The following persons were non-executive directors of the company during the year:

| | | |
|---|---|---|
| Carniato, Robert | Noiosi, Salvatore | Vaccaro, Salvatore |
| Foti, Vincenzo | Soligo, Mario | Ruisi, Angelo |
| Licata, Morris | Oliveri, Frank | Paragalli, Anthony |

# FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS
## 30 JUNE 2020 (CONTINUED)

### b. Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly during the financial year:

| NAME | POSITION |
|---|---|
| Anthony Zappia | Chief Executive Officer |
| Pete Dela Cruz | Chief Financial Officer. |
| Matt Biviano | Executive Manager - Club Operations |
| Caterina Romeo | Executive Manager - Brand & Marketing |
| Daniela Scopizzi | Executive Manager - People & Culture |
| John Manduci | Executive Manager - Information Technology |

### c. Key management personnel compensation

| | 2020 $ | 2019 $ |
|---|---|---|
| Benefits and payments made to directors and key management personnel | 1,082,716- | 1,150,415 |

### 24. RELATED PARTIES

### a. Key management personnel

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

### b. Directors' and key management personnel transactions with the company

Mr Vincenzo Foti, Chairman of the company is a shareholder of Foti International Fireworks Pty Ltd which supplied fireworks to the company at a cost of $2,750 (2019: $28,000) during the year under normal business trading terms.

He has a son-in law who is an owner of Plymaster NSW Pty Ltd which supplied trade and building materials at a cost of $40,408.50 (2019: $4,151.00) during the year at normal business trading terms.

Mr Licata, Vice President of the company has a son who owns Licata Projects Pty Ltd which supplied entertainment to the company at a cost of $3,428.30 (2019: $2,422.30) during the year at normal business trading terms.

Mr Sam Noiosi, a director of the company is a shareholder and a director of West Hoxton General Supply Pty Limited which supplied hardware and horticultural supplies to the company at a cost of $8,477 (2019: $26,982) during the year under normal retail terms and conditions.

Mr Robert Carniato, a director of the company is the Managing Director of Cox Concrete Pty Ltd which supplied construction materials to the club at a cost of $15,172 (2019: $25,073) during the year under normal retail terms and conditions.

Mr Angelo Ruisi, a Director of the company has an ex-wife and son who are shareholders of Crostoli King which supplied cannoli products to the company at a cost of $8,467.24 (2019: $7,159.00) during the year at normal business trading terms.

From time to time, directors of the company, or their director-related entities, may purchase goods from the company. These purchases are on the same terms and conditions as those entered into by other company employees or customers. Apart from the details disclosed in this note, no director has entered into a material contract with the company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

# DIRECTOR'S DECLARATION

## 30 JUNE 2020

In the directors' opinion:

(a) the financial statements and notes set out on pages 9 to 42 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, reduced disclosure requirements, the Corporations Regulations 2001, and

(ii) giving a true and fair view of the entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and

(b) 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 directors.

**Vincenzo Foti**
President

Bossley Park, NSW
21 September 2020

pwc

# *Independent auditor's report*

To the members of Club Marconi Limited

## *Our opinion*

In our opinion:

The accompanying financial report of Club Marconi Limited (the Company) is in accordance with the *Corporations Act 2001*, including:

1. giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year then ended
2. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### *What we have audited*

The financial report comprises:

- the statement of financial position as at 30 June 2020
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the statement of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

### *Independence*

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

## *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, 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.

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If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

## *Auditor's responsibilities for the audit of the financial report*

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

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

This auditor's report relates to the financial report of Club Marconi Limited for the year ended 30 June 2020 included on Club Marconi Limited's web site. The directors of the Company are responsible for the integrity of Club Marconi Limited'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 financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. 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.

PricewaterhouseCoopers

Manoj Santiago
Partner

Sydney
21 September 2020

# CLUB MARCONI TRADING HIGHLIGHTS 1957-2020

| YEAR | NO. MEMBERS | GROSS TURNOVER EXCLUDES GST $'000 | CHANGE IN GROSS REVENUE VS. LY | TOTAL EXPENDITURE $'000 | EBITDA PROFIT BEFORE INT & DEPN / AMORT $'000 | NET PROFIT / (LOSS) $'000 | (PROPERTY VALUATION) OTHER COMPREHEN-SIVE INCOME $'000 | TOTAL ASSETS $'000 | TOTAL LIABILITIES $'000 | NET ASSETS $'000 | PERSONNEL EXPENSES $'000 | % PERSONNEL TO GROSS TURNOVER |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2020 | 34,880 | 33,978 | -19% | 35,028 | 4,305 | (1,051) | - | 129,549 | 22,648 | 106,901 | 9,817 | 29% |
| 2019 | 43,698 | 41,587 | -7% | 40,886 | 5,387 | 701 | 20,025 | 126,638 | 18,685 | 107,952 | 12,017 | 29% |
| 2018 | 47,217 | 44,829 | -0.6% | 41,967 | 7,506 | 2,862 | - | 104,584 | 17,359 | 87,225 | 12,226 | 27% |
| 2017 | 44,709 | 45,120 | 7% | 41,721 | 7,634 | 3,400 | 5,571 | 101,199 | 16,836 | 84,363 | 12,252 | 27% |
| 2016 | 41,723 | 42,184 | 9% | 39,017 | 7,311 | 3,167 | 2,434 | 88,600 | 13,208 | 75,392 | 11,647 | 28% |
| 2015 | 35,926 | 38,782 | 10% | 36,614 | 6,399 | 2,168 | 4,106 | 83,359 | 13,567 | 69,792 | 9,947 | 26% |
| 2014 | 35,382 | 35,278 | -2% | 34,516 | 5,040 | 763 | 5,498 | 79,407 | 15,891 | 63,516 | 10,590 | 30% |
| 2013 | 38,330 | 36,152 | 7% | 35,069 | 5,301 | 1,083 | - | 75,146 | 17,890 | 57,256 | 10,399 | 29% |
| 2012 | 31,309 | 33,681 | -2% | 32,868 | 5,499 | 813 | - | 75,347 | 19,174 | 56,173 | 10,289 | 31% |
| 2011 | 26,086 | 34,310 | -2% | 34,330 | 4,513 | (20) | 5,564 | 76,850 | 21,491 | 55,359 | 10,923 | 32% |
| 2010 | 26,196 | 35,018 | -18% | 36,411 | 3,041 | (1,385) | - | 73,477 | 23,525 | 49,952 | 11,639 | 33% |
| 2009 | 23,976 | 42,874 | 17% | 37,260 | 10,111 | 134 | 5,479 | 73,998 | 22,661 | 51,337 | 11,693 | 27% |
| 2008 | 25,061 | 36,578 | -1% | 38,754 | 2,939 | (2,176) | - | 66,112 | 27,308 | 38,804 | 12,838 | 35% |
| 2007 | 26,373 | 36,852 | 1% | 34,776 | 6,205 | 1,287 | 789 | 72,781 | 25,078 | 47,703 | 11,366 | 31% |
| 2006 | 25,746 | 36,508 | 0% | 34,252 | 7,187 | 2,256 | - | 73,594 | 25,769 | 47,825 | 10,691 | 29% |
| 2005 | 25,583 | 36,454 | 1% | 34,364 | 6,990 | 2,090 | - | 64,948 | 26,850 | 38,097 | 10,927 | 30% |
| 2004 | 27,020 | 35,917 | 8% | 34,845 | 5,678 | 1,071 | 7,000 | 56,571 | 29,323 | 27,248 | 12,608 | 35% |
| 2003 | 26,934 | 33,406 | -17% | 33,774 | 3,957 | (368) | - | 48,588 | 29,411 | 19,177 | 12,155 | 36% |
| 2002 | 25,405 | 40,153 | -4% | 39,997 | 5,204 | 156 | - | 49,103 | 29,559 | 19,545 | 12,400 | 31% |
| 2001 | 25,381 | 41,630 | -6% | 43,068 | 3,459 | (1,438) | - | 49,313 | 29,925 | 19,388 | 14,899 | 36% |
| 2000 | 24,443 | 44,221 | 3% | 44,668 | 3,796 | (448) | - | 45,434 | 24,608 | 20,826 | 12,122 | 27% |
| 1999 | 24,122 | 42,913 | 15% | 40,227 | 6,226 | 2,686 | - | 41,565 | 20,520 | 21,044 | 11,442 | 27% |
| 1998 | 22,976 | 37,185 | 19% | 34,263 | 5,506 | 2,922 | - | 37,303 | 19,338 | 17,965 | 10,277 | 28% |
| 1997 | 21,742 | 31,357 | 10% | 29,256 | 4,541 | 2,101 | - | 30,588 | 15,081 | 15,506 | 8,791 | 28% |
| 1996 | 18,616 | 28,539 | 25% | 27,406 | 3,923 | 1,133 | - | 28,757 | 14,936 | 13,821 | 8,531 | 30% |
| 1995 | 15,935 | 22,861 | 8% | 22,680 | 2,905 | 181 | - | 27,628 | 15,565 | 12,063 | 6,869 | 30% |
| 1994 | 13,681 | 21,123 | 11% | 21,193 | 2,221 | (70) | - | 27,268 | 14,348 | 12,920 | 6,340 | 30% |
| 1993 | 9,345 | 19,016 | 20% | 18,004 | 2,921 | 1,012 | - | 26,268 | 13,267 | 13,001 | 4,256 | 22% |
| 1992 | 7,261 | 15,870 | 3% | 14,759 | 2,073 | 1,111 | - | 24,475 | 12,312 | 12,163 | 3,714 | 23% |
| 1991 | 5,476 | 15,353 | 9% | 13,745 | 2,175 | 1,608 | - | 15,115 | 3,997 | 11,118 | 3,834 | 25% |
| 1990 | - | 14,081 | 23% | 12,612 | 1,872 | 1,469 | - | 9,929 | 4,013 | 5,916 | 3,513 | 25% |
| 1989 | 4,642 | 11,451 | 35% | 10,217 | 1,621 | 1,234 | - | 8,890 | 4,176 | 4,715 | 2,903 | 25% |
| 1988 | - | 8,463 | 22% | 7,607 | 1,101 | 856 | - | 7,440 | 3,719 | 3,722 | 2,309 | 27% |

# CLUB MARCONI TRADING HIGHLIGHTS 1957-2020

| YEAR | NO. MEMBERS | GROSS TURNOVER EXCLUDES GST $'000 | CHANGE IN GROSS REVENUE VS. LY | TOTAL EXPENDITURE $'000 | EBITDA PROFIT BEFORE INT & DEPN / AMORT $'000 | NET PROFIT / (LOSS) $'000 | (PROPERTY VALUATION) OTHER COMPREHEN-SIVE INCOME $'000 | TOTAL ASSETS $'000 | TOTAL LIABILITIES $'000 | NET ASSETS $'000 | PERSONNEL EXPENSES $'000 | % PERSONNEL TO GROSS TURNOVER |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1987 | - | 6,917 | 18% | 6,362 | 812 | 555 | - | 5,002 | 1,978 | 3,024 | 1,971 | 28% |
| 1986 | 4,079 | 5,841 | 27% | 5,238 | 879 | 604 | - | 3,918 | 1,338 | 2,581 | 1,691 | 29% |
| 1985 | - | 4,595 | 19% | 4,066 | 848 | 530 | - | 3,823 | 1,765 | 2,058 | 1,247 | 27% |
| 1984 | - | 3,857 | -11% | 3,546 | 629 | 311 | - | 3,767 | 2,072 | 1,695 | 906 | 23% |
| 1983 | - | 4,358 | -3% | 4,382 | 699 | (24) | - | 3,873 | 2,314 | 1,559 | 1,322 | 30% |
| 1982 | - | 4,480 | 24% | 4,226 | 527 | 255 | - | 3,798 | 2,199 | 1,599 | 1,297 | 29% |
| 1981 | - | 3,612 | 18% | 3,535 | 373 | 77 | - | 3,432 | 2,033 | 1,399 | 1,219 | 34% |
| 1980 | - | 3,072 | 7% | 3,052 | 109 | 20 | - | 3,257 | 1,841 | 1,416 | 1,066 | 35% |
| 1979 | - | 2,883 | 12% | 2,747 | 210 | 136 | - | 1,871 | 474 | 1,397 | 995 | 35% |
| 1978 | - | 2,566 | 12% | 2,359 | 290 | 207 | - | 1,659 | 389 | 1,270 | 718 | 28% |
| 1977 | - | 2,292 | 7% | 2,203 | 201 | 89 | - | 1,556 | 476 | 1,080 | 679 | 30% |
| 1976 | - | 2,134 | 9% | 2,053 | 159 | 81 | - | 1,580 | 584 | 996 | 655 | 31% |
| 1975 | 4,000 | 1,949 | 27% | 1,747 | 262 | 202 | - | 1,266 | 339 | 928 | 613 | 31% |
| 1974 | - | 1,534 | 20% | 1,409 | 199 | 125 | - | 976 | 230 | 746 | 426 | 28% |
| 1973 | - | 1,279 | 33% | 1,149 | 183 | 130 | - | 839 | 179 | 660 | 340 | 27% |
| 1972 | - | 961 | 25% | 884 | 133 | 77 | - | 793 | 249 | 544 | 243 | 25% |
| 1971 | - | 770 | 16% | 704 | 95 | 66 | - | 723 | 257 | 467 | 200 | 26% |
| 1970 | 3,000 | 665 | 18% | 617 | 80 | 48 | - | 611 | 210 | 401 | 153 | 23% |
| 1969 | - | 564 | 30% | 512 | 79 | 51 | - | 557 | 204 | 353 | 130 | 23% |
| 1968 | - | 433 | 42% | 379 | 79 | 54 | - | 524 | 221 | 303 | 80 | 18% |
| 1967 | 1,930 | 305 | 21% | 266 | 66 | 39 | - | 460 | 209 | 251 | 54 | 18% |
| 1966 | 1,340 | 252 | 4% | 226 | 46 | 26 | - | 450 | 237 | 212 | 50 | 20% |
| 1965 | 1,400 | 241 | 19% | 199 | 63 | 43 | - | 423 | 231 | 192 | 39 | 16% |
| 1964 | 1,288 | 203 | 9% | 190 | 34 | 13 | - | 421 | 271 | 150 | 37 | 18% |
| 1963 | 1,000 | 186 | 21% | 155 | 47 | 31 | - | 397 | 260 | 137 | 32 | 17% |
| 1962 | 760 | 154 | 21% | 142 | 25 | 11 | - | 203 | 98 | 105 | 21 | 13% |
| 1961 | - | 127 | 15% | 96 | - | 31 | - | 128 | 128 | - | 17 | 14% |
| 1960 | 600 | 111 | -2% | 90 | - | 21 | - | 120 | 120 | - | 17 | 16% |
| 1959 | - | 114 | 0% | 73 | - | 41 | - | 121 | 121 | - | 13 | 12% |
| 1958 | 150 | - | 0% | - | - | - | - | - | - | - | - | 0% |
| 1957 | 115 | - | - | - | - | - | - | - | - | - | - | 0% |

Notes

1 Financial Year 2020 - COVID-19 epidemic shutdown from March to June 2020.

2 Financial Year 2009 Profit & Loss includes profit from the sale of intangible assets of $5.6 Mil.

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