

BROKEN HILL MUSICIANS CLUB LTD

ABN: 62 001 034 359

FINANCIAL REPORT

FOR THE YEAR ENDED 31 MARCH 2023

BROKEN HILL MUSICIANS CLUB LTD

ABN: 62 001 034 359

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FOR THE YEAR ENDED 31 MARCH 2023

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BROKEN HILL MUSICIANS CLUB LTD

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CLUB PROPERTY DECLARATION

FOR THE YEAR ENDED 31 MARCH 2023

Pursuant to Section 41E of the *Registered Clubs Act 1976*, the Director's declare that, for the financial year ended 31 March 2023, the classification of the freehold land is as follows:

Property Address	Current Usage	Classification
276 Crystal Street, Broken Hill NSW 2880	Club Premises	Core

Notes to members Section 41E of the *Registered Clubs Act 1976* requires the annual report to specify the core property and non-core property of the Company as at the end of the financial year to which the report relates. Core property is any real property owned or occupied by the Company that comprises:

- (a) the defined premises of the Company; or
- (b) any facility provided by the Company for use of its members and their guests; or
- (c) any other property declared by a resolution passed by a majority of the members present at a general meeting of Ordinary members of the Club to be core property of the Company'.

Non-core property is any other property other than that referred to above as core property and any property which is declared by the members at a general meeting of ordinary members of the Company not to be core property.

The significance of the distinction between core property and non-core property is that the Company cannot dispose of any core property unless:

- (a) the property has been valued by a qualified valuer; and
- (b) the disposal has been approved at a general meeting of the ordinary members of the Company at which the majority of the votes cast support the approval; and
- (c) any sale is by way of public auction or open tender conducted by an independent real estate agent or auctioneer.

These disposal provisions and what constitutes a disposal for the purposes of section 41E are to some extent modified by regulations made under the *Registered Clubs Act 1976* and by Section 41E itself. For example, the requirements above do not apply to core property that is being leased or licenced for a period not exceeding 10 years on terms that have been the subject of a valuation by a registered valuer.

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The Directors present their report on Broken Hill Musicians Club Ltd (the Company) for the financial year ended 31 March 2023.

Directors

The names of the Directors in office at any time during, or since the end of the year are:

Names	Position
Kim Evans	President
Paul Kemp	Vice President
Kenneth Dennis	Deputy Vice President
Donald McQuillan	Director
Eric Craney	Director
Gavin Kersten	Director
Leon Evans	Director

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

Principal activities

The principal activities of the Broken Hill Musicians Club Ltd during the financial year was the operation of a Licensed Club providing recreational services.

Review of operations

A review of the operations of the Company during the financial year and the results of those operations show a substantial increase due to trade recovering from the Covid-19 pandemic, strong domestic tourist numbers and the strength of the local Broken Hill economy.

Short term objectives

The Company's short-term objectives are to:

- provide recreational facilities, amenities and services for members;
- promote the Club internally and externally;
- provide responsible gambling services;
- provide services for the responsible consumption of alcohol;
- provide services for the consumption of food;
- adhere to legislative and regulatory requirements;
- meet financial viability and accountability requirements; and
- provide a workplace that is compliant with industry standards and requirements.

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

Long term objectives

The Company's long term-objectives are to:

- maintain and improve the facilities, amenities and services provided to members;
- become financially secure; and
- grow operations in accordance with members' interests and industry standards.

Strategy for achieving the objectives

The Company has adopted the following strategies for the achievement of these short-term objectives:

- to regularly and systematically review the facilities, amenities and services provided to members;
- to regularly assess and monitor the effectiveness of operations to maximise return;
- to regularly assess and monitor promotions to maximise return;
- to regularly assess performance against past performance, budgets and industry benchmarks; and
- to review the Company's compliance with legislative and regulatory requirements.

The Company has adopted the following strategies for achievement of these long-term objectives:

- the preparation and implementation of business plans and strategies to identify opportunities and strengths to facilitate the Company maximising opportunities when they arise;
- to remain aware of industry standards and factors effecting the industry; and
- to be able to adapt operations and the provision of facilities, amenities and services in accordance with changes within the industry.

How principal activities assisted in achieving the objectives

The principal activities assisted the Company in achieving its objectives by providing a stable base of operations to meet debt and expenditure requirements and maintain high levels of service to members and guests.

Performance measures

The following measures are used within the Company to monitor performance:

- Historical performance versus current performance;
- Budget comparatives;
- Industry standards and comparatives; and
- Compliance with legislative and regulatory requirements, and reviews by external regulatory bodies.

Members' guarantee

Broken Hill Musicians Club Ltd is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. In the event of, and for the purpose of winding up of the Company, the constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstanding obligations of the Company. At year end, the total amount that members of the Company are liable to contribute if the Company is wound up is \$67,090 (2022: \$57,260).

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

Members' guarantee

The membership of the Company as at 31 March 2023 was:

Life	12
Ordinary	6,697
Total	6,709

Information on Directors

Kim Evans	President
Qualifications and Experience	Board Member 9 years, Clerk
Paul Kemp	Vice President
Qualifications and Experience	Board Member 5 years, General Manager
Kenneth Dennis	Deputy Vice President
Qualifications and Experience	Board Member 7 years, Paralegal
Eric Craney	Director
Qualifications and Experience	Board Member 6 years, Lawyer
Gavin Kersten	Director
Qualifications and Experience	Board Member 6 years, Retired
Donald McQuillan	Director
Qualifications and Experience	Board Member 6 years, Retired
Leon Evans	Director
Qualifications and Experience	Board Member 2 year, Airport services provider

Meetings of Directors

During the financial year, meetings of Directors were held. Attendances by each Director during the year were as follows:

	Number eligible to attend	Number attended
Kim Evans	12	12
Paul Kemp	12	11
Kenneth Dennis	12	10
Eric Craney	12	12
Gavin Kersten	12	11
Donald McQuillan	12	12
Leon Evans	12	12

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the year, other than what is reported under 'events after reporting date' below.

Events after the reporting date

Event 1 – Cinema Acquisition

On 24 November 2022, the Company entered into a Contract of Sale with Illowra Holdings Pty Ltd for the purchase of the Cinema located at 41-47 Oxide Street, Broken Hill NSW 2880. The purchase price was \$400,000 (GST Exclusive), which was for the acquisition of the Land, Buildings, and Plant and Equipment in use. The Cinema was not deemed as a going concern at the date of purchase.

The Company also entered into a license agreement with Illowra Holdings Pty Ltd to operate the Cinema from 24 November 2022, which remains effective until the date of settlement. A weekly license fee of \$1 (GST exclusive) applied until 31 January 2023, which was further increased to \$10 (GST exclusive) per week until settlement. The income received and expenditure incurred whilst operating under the license agreement for the Cinema, has been recognised in the Company's profit and loss for the year ended 31 March 2023.

As part of the acquisition, the Company also entered into a vendor financing arrangement on 6 February 2023 whereby the Company is required to repay Illowra Holdings Pty Ltd a principle loan amount of \$396,000 with interest on the unpaid principal, no later than 1 March 2026. Upon receipt of the payment in full, the assets and equipment will be transferred from Illowra Holdings Pty Ltd to the Company.

Settlement did not occur until 7 July 2023. Therefore, as the Contract of Sale was dated prior to year end, the assets and liabilities associated with the acquisition of the Cinema are recognised as contract assets and contract liabilities of the Company accordingly.

Event 2 – Loan Refinancing

On 15 June 2023, the Company consolidated its current ANZ bank loan facilities and entered into a new loan facility agreement with the Commonwealth Bank of Australia (CBA) for \$3,737,000. The loan term is 3 years with an initial variable rate of 6.78% p.a.

Repayment of the loan is 36 monthly instalments of \$42,759 commencing from 16 June 2023 with a residual payment of \$2,867,157 due on 15 June 2026 (excluding accrued interest and other associated charges). The increased CBA loan facility was obtained to assist finance the Club's Internal Refurbishment, as outlined in further detail under Note 14 Contingencies.

Except for the matters outlined above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Environmental issues

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia. The *Smoke-Free Environment Act 2000*, *Smoke-Free Environment Amendment Regulation 2009*, and the *Smoke-Free Environment Regulation 2007* ban and regulate smoking in enclosed public places as well as specified public places.

Indemnification

The Company has paid premiums to insure each of its Director's against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than the conduct involving a willful breach of duty in relation to the Company. The Company has not indemnified its Auditor's.

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DIRECTORS' REPORT

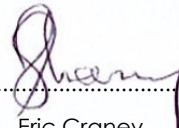
FOR THE YEAR ENDED 31 MARCH 2023

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 31 March 2023 has been received and can be found on page 7 of the financial report.

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

Director: 
Kim Evans

Director: 
Eric Craney

Dated 21 August 2023

BROKEN HILL MUSICIANS CLUB LTD
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AUDITOR'S INDEPENDENCE DECLARATION
FOR THE YEAR ENDED 31 MARCH 2023

In accordance with the requirements of section 307C of the *Corporations Act 2001*, we declare that, to the best of our knowledge and belief, during the year ended 31 March 2023, there have been:

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

National Audits Group Pty Ltd
Authorised Audit Company



Danielle Nye
Director

Dated 23 August 2023

Wagga Wagga

BROKEN HILL MUSICIANS CLUB LTD

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**FOR THE YEAR ENDED 31 MARCH 2023**

	Note	2023 \$	2022 \$
Revenue		9,154,337	6,231,508
Other income		9,744	211,066
	4	9,164,081	6,442,574
Interest income		3,731	3,618
Less: Expenses			
Bands and artists		88,435	27,707
Bar and bistro expenses		1,272,090	828,898
Cinema expenses		207,396	-
Depreciation expense		735,918	711,612
Employee benefits		2,496,200	1,968,464
Entertainment and promotions		928,064	810,353
Finance costs		70,755	63,441
Gaming machine expenses		233,399	221,858
Gaming machine tax		1,086,316	726,792
Insurance		190,491	153,825
Other expenses		573,768	501,337
Professional fees		101,413	104,543
Rates and utilities		268,618	245,444
Repairs and maintenance		111,551	90,487
Profit/(loss) for the year before tax		803,398	(8,569)
Income tax expense	2(a)	-	-
Profit/(loss) for the year		803,398	(8,569)
Other comprehensive income			
Increase in asset revaluation reserve	7	196,500	-
Total comprehensive income/(loss) for the year		999,898	(8,569)

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STATEMENT OF FINANCIAL POSITION**FOR THE YEAR ENDED 31 MARCH 2023**

	Note	2023 \$	2022 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	1,211,168	1,145,473
Trade and other receivables		34,796	6,475
Inventories		87,568	55,131
Other assets		207,271	134,439
Contract assets	10	400,000	-
TOTAL CURRENT ASSETS		1,940,803	1,341,518
NON-CURRENT ASSETS			
Property, plant and equipment	7	4,487,555	4,120,724
TOTAL NON-CURRENT ASSETS		4,487,555	4,120,724
TOTAL ASSETS		6,428,358	5,462,242
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	649,736	1,083,829
Employee entitlements	9	362,786	320,184
Borrowings	11	1,632,529	1,751,803
Contract liabilities	10	451,408	11,408
TOTAL CURRENT LIABILITIES		3,096,459	3,167,224
NON-CURRENT LIABILITIES			
Employee entitlements	9	57,592	20,609
TOTAL NON-CURRENT LIABILITIES		57,592	20,609
TOTAL LIABILITIES		3,154,051	3,187,833
NET ASSETS		3,274,307	2,274,409
EQUITY			
Asset revaluation reserve	7	196,500	-
Retained earnings		3,077,807	2,274,409
TOTAL EQUITY		3,274,307	2,274,409

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY**FOR THE YEAR ENDED 31 MARCH 2023**

	2023	2022
	\$	\$
RETAINED EARNINGS		
Retained earnings at the start of the year	2,274,409	2,282,978
Profit/(loss) for the year	803,398	(8,569)
Retained earnings at the end of the year	<u>3,077,807</u>	<u>2,274,409</u>
ASSET REVALUATION RESERVE		
Asset revaluation reserve at the start of the year	-	-
Increase in reserve during the year	196,500	-
Asset revaluation reserve at the end of the year	<u>196,500</u>	<u>-</u>
TOTAL EQUITY	<u>3,274,307</u>	<u>2,274,409</u>

The accompanying notes form part of these financial statements.

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STATEMENT OF CASH FLOWS**FOR THE YEAR ENDED 31 MARCH 2023**

	Note	2023	2022
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		9,135,760	6,241,106
Payments to suppliers and employees		(7,977,518)	(5,369,255)
Receipts from government funding		-	198,583
Interest received		3,731	3,618
Finance costs		(70,755)	(63,441)
Net cash provided by operating activities		1,091,218	1,010,611
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of plant and equipment		32,529	95,410
Purchase of property, plant and equipment		(938,778)	(1,466,664)
Net cash used in investing activities		(906,249)	(1,371,254)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		494,404	789,511
Repayment of borrowings		(613,678)	(354,317)
Net cash provided by/(used in) financing activities		(119,274)	435,194
Net increase in cash and cash equivalents held		65,695	74,551
Cash and cash equivalents at beginning of year		1,145,473	1,081,556
Opening balance adjustment		-	(10,634)
Cash and cash equivalents at end of financial year	6	1,211,168	1,145,473

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

The financial report covers Broken Hill Musicians Club Ltd as an individual entity. Broken Hill Musicians Club Ltd (the Company) is a not-for-profit Company limited by guarantee, incorporated and domiciled in Australia.

The functional and presentation currency of Broken Hill Musicians Club Ltd is Australian dollars (\$AUD) and all amounts have been rounded to the nearest dollar.

The financial report was authorised for issue by the Board of Directors on 21 August 2023.

1 BASIS OF PREPARATION

The financial report is a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures, *Corporations Act 2001* and *Corporations Regulations 2001*.

The financial report, except for the cash flow information, has been prepared on an accruals basis and is based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets and financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

Going Concern

Notwithstanding the Company's current liabilities exceeding current assets by \$1,155,656 as at 31 March 2023 (2022: \$1,825,706), the financial statements have been prepared on a going concern basis due to the following:

- Current liabilities as at 31 March 2023 include borrowings for bank loans, chattell mortgages and finance leases which amounted to \$1,632,529 (2022: \$1,751,803), and pertain to/are secured by the non-current assets of the Company;
- Borrowings reported in current liabilities reflect both current and non-current repayment requirements, however, the Directors believe the actual cash outflows over the next 12 months are likely to be in accordance with the normal terms and conditions of the underlying agreements, with minimum estimated repayment requirements amounting to \$600,000; and
- The Company had \$65,695. in net cash inflows from operating, investing, and financing activities for the year ended 31 March 2023 (2022: \$75,551); and
- Replacement of gaming machines have slowed and as such, leases liabilities have been decreased.

Further to the above, the Board have considered the acquisition of the Cinema and proposed plans for the internal refurbishment of the Club and note the following:

- The Company has \$600,000 set aside for reduction in trade due to the proposed renovations, and corresponding budgets and cashflows have been used for the going concern assessment;
- The Cinema has been performing strongly since under the Company's operation, with further considerations being made by the Board for additional revenue streams in the future; and
- All Cinema plant is operational, with the projector and screen having a current estimated useful life of 3 to 5 years, and the remaining plant estimated to have a useful life of 8-10 years (with scheduled maintenance occurring), and therefore, the Board do not expect any major capital works being required in this regard.

The Directors are therefore of the opinion the Company will be able to pay its debts as and when they fall due, and continue as a going concern.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Income Tax

The mutuality principle has been applied to the calculation of the Company's financial result for tax purposes. The Company has estimated the assessable proportion of mutual income represented by results of trading attributable to non-members of the Company is 7.1% (2022: 5.6%). The tax expense recognised in the statement of income and retained earnings comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable/(recoverable) in respect of the taxable profit/(loss) for the year and is measured at the amount expected to be paid to/(recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred tax assets

Broken Hill Musicians Club Ltd does not recognise deferred tax assets as the Company has incurred historical tax losses of \$2,096,204 as of 31 March 2022, and therefore, the carried forward tax losses are unlikely to be recovered.

(b) Revenue and other income

Income of Not-for-Profit Entities

Under AASB 1058 *Income of Not-for-Profit Entities*, the Company recognises revenue on a basis that reflects the fair value of goods, services, and assets (such as cash, inventories and property, plant and equipment), which have been provided or transferred to the Company for nil or nominal consideration, is deemed to further the objectives of the Company, and has no enforceable or sufficiently specific performance obligations attached to the receipt.

Revenue from Contracts with Customers

The Company recognises revenue on a basis that reflects the transfer of promised goods or services to patrons at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.

In accordance with AASB 15 *Revenue from Contracts with Customers*, revenue from contracts with customers are recognised by applying a five-step model as follows:

1. Identify the contract with the customer;
2. Identify the performance obligations;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations; and
5. Recognise revenue as and when control of the performance obligations is transferred.

The Company's accounting policies for recognising revenue is outlined in further detail below.

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NOTES TO THE FINANCIAL STATEMENTS

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Revenue and other income

Sales Revenue

Revenue derived from bar and bistro sales is recognised on transfer of goods to the patron as this is deemed to be the point in time when all the risks and rewards associated with the goods are transferred, there is no longer any ownership or effective control over the inventory and the Company's performance obligations have been met.

Gaming machine takings

Gaming machine takings is recognised as revenue on receipt of the funds as there are no enforceable performance obligations contained within a contract between the Company and the patron. Revenue from gaming machine takings is shown in the statement of income and retained earnings net of payouts, with gaming machine tax being recognised as an expense.

Commissions

Commissions are recognised as revenue on receipt of the funds as there are no enforceable performance obligations contained within a contract between the Company and the patron. The Commission income is earned on a percentage of the sales generated by the Company using third-party property.

Other income

Other income is recognised as revenue when the Company has fulfilled its performance obligations.

(c) Cash and cash equivalents

Cash and cash equivalents comprises cash at bank and cash on hand which is subject to an insignificant risk of change in value.

(d) Leases

Finance leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

(e) Goods and services tax (GST)

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

Receivables and payables are stated inclusive of GST.

Cash flows in the statement of cash flows are included on an exclusive basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(f) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e., on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs.

Financial liabilities

The Company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method. The Company's financial liabilities include borrowings and trade and other payables (including finance lease liabilities).

Further information pertaining to trade and other payables can be found in Note 8.

Further information pertaining to borrowings can be found in Note 11.

(g) Property, plant and equipment

General Information

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Assets measured using the revaluation model are carried at fair value at the revaluation date less any subsequent accumulated depreciation and impairment losses. Revaluations are performed whenever there is a material movement in the value of an asset under the revaluation model.

Land and Buildings

Land and building assets are measured using the revaluation model.

Revalued amounts are fair market values based on appraisals prepared by external professional valuers once every three (3) years or more if market factors indicate a material change in fair value.

As no finite useful life for land can be determined, related carrying amounts are not depreciated.

Any revaluation surplus arising upon appraisal of land and buildings is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income.

Downward revaluations of land and buildings are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

Refer to Note 3 for estimates and judgements used in determining fair value.

Plant and equipment

Plant and equipment is measured at cost less any accumulated depreciation and impairment.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(g) Property, plant and equipment

Land and Buildings

Capital work-in-progress

Capital work-in-progress are stated at cost and not depreciated. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Company, commencing when the asset is ready for use.

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

Fixed asset class	Useful Life
Buildings	40 years
Plant and equipment	3 - 20 years

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(h) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(i) Impairment of non-financial assets

At the end of each reporting period the Company determines whether there is evidence of an impairment indicator for non-financial assets. Where an indicator exists, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated. The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss. Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

(j) Intangibles

Gaming machine licences

Under the *Gaming Machine Act 2001* (the Act), a tradeable asset titled gaming machine entitlement was created. Gaming Machine entitlements are able to be sold to other registered clubs within the state of New South Wales (NSW) provided certain statutory requirements are met. The Act came into effect on 2 April 2001.

The Company owned one hundred and three (103) gaming machines at the commencement of the Act. None of the gaming machine entitlements held by the Company have been recognised as intangible assets due to the recognition and measurement requirements at the time of acquisition.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(k) Employee entitlements

A liability is made for the Company's employee entitlements arising from services rendered by employees to the end of the reporting period. Employee entitlements that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee entitlements expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

(a) Impairment of property, plant and equipment

The Company assesses impairment at the end of each reporting period by evaluating conditions specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units, based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

(b) Estimation of useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

(c) Fair value of land and buildings

The Company's land and buildings are measured at fair value. Where fair value has not been able to be determined based on quoted price, a valuation model has been used. The inputs to these models are observable, where possible, however these techniques involve significant estimates and therefore fair value of the assets could be affected by changes in these assumptions and inputs.

An internal assessment was performed by management in May 2022 in relation to the Company's land. As outlined in management's assessment, the usual and preferred valuation method is a direct comparison to recent sales of properties of a similar type. However, the Company's land and operations is quite unique in Broken Hill NSW, and there are no properties which are remotely similar. Consequently, management reviewed a range of commercial property sales (in a widely varying price ranges) which were deemed in no way comparable, but which at least gave an indication of current commercial market levels.

Based on the information obtained, management made a recommendation to the Board that the land be valued at \$500,000, being an increase of \$196,500, which was deemed to be a true value of the Land. The Board considered and approved this proposal in the June 2022 Board meeting.

BROKEN HILL MUSICIANS CLUB LTD

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

(c) Fair value of land and buildings

An independent valuation of property (land and buildings) carried at fair value was obtained on 4 April 2023 which provided an 'As Is' and 'On Completion' valuation of the Company's land and buildings. The independent valuer reported the Company's land value to be \$500,000 and 'As Is' buildings to be \$2.3 million.

Due to the internal refurbishment work currently underway, the Directors have considered the valuation performed on the Company's buildings and determined it appropriate to wait until works are completed to adjust the fair value of its buildings.

For further information pertaining to fair value in this regard, refer to Note 7.

4 REVENUE

Revenue from contracts with customers

Cinema income	140,606	-
Gaming machine takings	5,743,315	4,106,103
Memberships	16,607	51,040
Commissions	200,548	130,739
Sales revenue	2,970,688	1,885,485
Other income	82,573	58,141
	<hr/>	<hr/>
	9,154,337	6,231,508

Revenue recognised upon receipt

Gain on disposal of non-current assets	9,744	12,483
Government subsidies	-	198,583
	<hr/>	<hr/>
	9,744	211,066

<hr/>	<hr/>
9,164,081	6,442,574

5 AUDITOR'S REMUNERATION

Remuneration of the auditor, National Audits Group Pty Ltd for the:

- auditing and assisting with compilation of the financial statements	<hr/>	<hr/>
	27,000	22,000

BROKEN HILL MUSICIANS CLUB LTD

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2023**

	2023	2022
	\$	\$
6 CASH AND CASH EQUIVALENTS		
CURRENT		
Cash at bank	903,616	850,009
Cash on hand	302,000	293,000
Other cash and cash equivalents	5,552	2,464
	<u>1,211,168</u>	<u>1,145,473</u>
7 PROPERTY, PLANT AND EQUIPMENT		
NON-CURRENT		
Freehold land		
At fair value	<u>500,000</u>	<u>303,500</u>
Buildings		
At fair value	844,875	844,875
Less: Accumulated depreciation	<u>(111,903)</u>	<u>(90,961)</u>
	<u>732,972</u>	<u>753,914</u>
Plant and equipment		
At cost	6,010,925	5,405,031
Less: Accumulated depreciation	<u>(3,251,998)</u>	<u>(2,616,221)</u>
	<u>2,758,927</u>	<u>2,788,810</u>
Artworks		
At fair value	<u>64,000</u>	<u>64,000</u>
Capital work-in-progress		
At cost	<u>431,656</u>	<u>210,500</u>
	<u>431,656</u>	<u>210,500</u>
Total property, plant and equipment	<u><u>4,487,555</u></u>	<u><u>4,120,724</u></u>

Capital work-in-progress

The work that is currently out to tender by the project managers are as follows:

- Installation of a lift from ground level car park to the level one of the Club; and
- Accessibility improvements to the building including wider front access ramp, new parents room, one new accessible toilet in the front foyer area, upgraded to current building code accessible toilet in the bar area, upgraded bar toilets, new carpet, upgraded gaming floor, new AV and new furniture.

For further information pertaining to capital commitments in this regard, refer to Note 12.

BROKEN HILL MUSICIANS CLUB LTD

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

7 PROPERTY, PLANT AND EQUIPMENT

(a) *Movements in Carrying Amounts*

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

	Land \$	Buildings & Improvements \$	Plant and Equipment \$	Artwork \$	Capital Work-in- Progress \$	Total \$
Year ended 31 March 2023						
Balance at the beginning of the year	303,500	753,914	2,788,810	64,000	210,500	4,120,724
Additions	-	-	717,622	-	221,156	938,778
Disposals	-	-	(32,529)	-	-	(32,529)
Depreciation expense	-	(20,942)	(714,976)	-	-	(735,918)
Revaluation increment	196,500	-	-	-	-	196,500
Balance at the end of the year	500,000	732,972	2,758,927	64,000	431,656	4,487,555

BROKEN HILL MUSICIANS CLUB LTD
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

	2023	2022
	\$	\$
8 TRADE AND OTHER PAYABLES		
CURRENT		
Trade payables	264,280	731,323
Other payables	101,102	52,631
ATO liabilities	201,166	8,864
Gaming tax payable	83,188	291,011
	<u>649,736</u>	<u>1,083,829</u>
Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.		
9 EMPLOYEE ENTITLEMENTS		
CURRENT		
Annual leave	232,750	206,726
Long service leave	130,036	113,458
	<u>362,786</u>	<u>320,184</u>
NON-CURRENT		
Long service leave	57,592	20,609
	<u>57,592</u>	<u>20,609</u>
10 CONTRACT LIABILITIES		
CURRENT		
Contract liabilities	440,000	-
Membership income in advance	11,408	11,408
	<u>451,408</u>	<u>11,408</u>

As outlined in Note 13 Events After the Reporting Date, the Company entered into a contract of sale on 24 November 2022, for the purchase of a Cinema. A contract asset of \$400,000 has been recognised in addition to the above contract liability of \$440,000 with \$40,000 in GST paid (reported in trade and other payables) being claimed as the acquired business was not deemed a going concern at date of purchase.

BROKEN HILL MUSICIANS CLUB LTD
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

	2023	2022
	\$	\$
11 BORROWINGS		
CURRENT		
ANZ bank loan	864,574	888,000
Chattel mortgages	158,835	85,399
Finance lease liabilities	609,120	778,404
	<u>1,632,529</u>	<u>1,751,803</u>

ANZ bank loan

On 2 October 2019, the Company entered into a bank loan facility agreement with ANZ for the purpose of refinancing private vendor finance, and capital for refurbishment of the Club. The loan facility provided was \$900,000 for a term of five (5) years. The repayment arrangement for the facility is currently interest only repayments.

The Security for the bank loan facilities are a First Registered Mortgage over all real property owned by the Company, a First Registered Equitable Mortgage over all of the Company's assets and undertakings and a General Security Interest over all present and after acquired property.

The carrying amounts of the bank loans have been classified as current in the statement of financial position, as the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

This ANZ facility was consolidated with a new CBA facility as outlined in Note 13 Events After the Reporting Date.

Chattel mortgages

The Company is a party to a number of chattel mortgage agreements with the ANZ Bank for motor vehicles, which have repayment terms of 3-5 years, and are paid monthly. The leases also include a fixed lease component which is recognised through profit and loss.

Finance lease liabilities

The Company is party to a number of hire purchase leases with Aristocrat for gaming machines. Lease terms are between 2-3 years and are paid monthly in arrears or in advance in accordance with the terms of the finance. The leases also include an interest component which is recognised through the profit and loss.

Defaults and breaches

During the current and prior year, there were no defaults or breaches on any of the loans.

BROKEN HILL MUSICIANS CLUB LTD

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

12 CAPITAL COMMITMENTS

The \$431,656 reported in Note 7 under Capital Works-in-Progress, represents the full contract amount for the works completed to date. As of the date the financial statements were authorised for issue, the Company is waiting on the tender to come back in for the works to continue. Based on the work yet to be completed, the Board is unable to reliably estimate the costs required to complete the project.

13 EVENTS OCCURRING AFTER THE REPORTING DATE

The financial report was authorised for issue on 21 August 2023 by the Board of Directors.

Except for the following, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Event 1 – Cinema Acquisition

On 24 November 2022, the Company entered into a Contract of Sale with Illowra Holdings Pty Ltd for the purchase of the Cinema located at 41-47 Oxide Street, Broken Hill NSW 2880. The purchase price was \$400,000 (GST Exclusive), which was for the acquisition of the Land, Buildings, and Plant and Equipment in use. The Cinema was not deemed as a going concern at the date of purchase.

The Company also entered into a license agreement with Illowra Holdings Pty Ltd to operate the Cinema from 24 November 2022, which remains effective until the date of settlement. A weekly license fee of \$1 (GST exclusive) applied until 31 January 2023, which was further increased to \$10 (GST exclusive) per week until settlement. The income received and expenditure incurred whilst operating under the license agreement for the Cinema, has been recognised in the Company's profit and loss for the year ended 31 March 2023.

As part of the acquisition, the Company also entered into a vendor financing arrangement on 6 February 2023 whereby the Company is required to repay Illowra Holdings Pty Ltd a principle loan amount of \$396,000 with interest on the unpaid principal, no later than 1 March 2026. Upon receipt of the payment in full, the assets and equipment will be transferred from Illowra Holdings Pty Ltd to the Company.

Settlement did not occur until 7 July 2023. Therefore, as the Contract of Sale was dated prior to year end, the assets and liabilities associated with the acquisition of the Cinema are recognised as contract assets and contract liabilities of the Company accordingly.

Event 2 – Loan Refinancing

On 15 June 2023, the Company consolidated its current ANZ bank loan facilities and entered into a new loan facility agreement with the Commonwealth Bank of Australia (CBA) for \$3,737,000. The loan term is 3 years with an initial variable rate of 6.78% p.a.

Repayment of the loan is 36 monthly instalments of \$42,759 commencing from 16 June 2023 with a residual payment of \$2,867,157 due on 15 June 2026 (excluding accrued interest and other associated charges). The increased loan facility was obtained to assist finance the Club's Internal Refurbishment, as outlined in further detail under Note 14 Contingencies.

BROKEN HILL MUSICIANS CLUB LTD

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

14 CONTINGENCIES

Existing Refurbishment

As indicated in Note 12 Capital Commitments, the Company's existing refurbishment project is yet to be completed, and the estimated cost and timing of completion is currently pending response from tenders.

New Refurbishment

In February 2023, the Company obtained an estimated quote of \$3,787,422 (GST exclusive) from Kinlay Grinham Casey Burne for the proposed internal refurbishment plans submitted for the Club.

As outlined with Note 13 Events After the Reporting Date, the Company did not receive loan financing to support the commencement of the proposed capital works until 15 June 2023.

Upon approval of the CBA loan facility, Paynter Dixon Constructions Pty Ltd provided the Company with a signed 'Letter of Intent' on 28 June 2023, indicating their intention to enter into an agreement with the Company for the abovementioned works.

As at the date the financial statements were authorised for issue, no agreement or final quote for the scope of works had been entered into or determined for the internal refurbishment of the Club.

Other than the above, in the opinion of the Directors, the Company did not have any further contingencies at 31 March 2023 (31 March 2022: None).

15 RELATED PARTY TRANSACTIONS

(a) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity are considered key management personnel.

Key management personnel of the Company during the year were as follows:

- Board of Directors; and
- General Manager.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

(c) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Other than the remuneration paid to key management personnel, no further transactions occurred with related parties.

BROKEN HILL MUSICIANS CLUB LTD

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

16 KEY MANAGEMENT PERSONNEL REMUNERATION

The total remuneration paid to key management personnel of the Company during the year was \$ 150,000-220,000 (2022: \$ 150,000-220,000). Total remuneration consists of honorariums, wages and salaries paid to key management.

The Directors have considered the requirement of the Australian Accounting Standard AASB 124 *Related Parties* paragraph 17, which requires the Company to disclose the total remuneration paid to key management personnel. The total value of the key management personnel remuneration has been assessed against the total employee expenses and total revenue for the year.

17 COMPANY DETAILS

The registered office and principal place of business of the Company is:

Broken Hill Musicians Club Ltd
276 Crystal Street,
BROKEN HILL NSW 2880

BROKEN HILL MUSICIANS CLUB LTD

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DIRECTORS' DECLARATION

FOR THE YEAR ENDED 31 MARCH 2023

The Directors of the Company declare that the financial statements and notes, as set out on pages 8 to 25, are in accordance with the *Corporations Act 2001* and:

- (i) comply with the Australian Accounting Standards - Simplified Disclosure and *Corporations Regulation 2001*; and
- (ii) give a true and fair view of the Company's financial position as at 31 March 2023 and of its financial performance for the year then ended.

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

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

Director
Kim Evans

Director
Eric Craney

Dated 21 August 2023

BROKEN HILL MUSICIANS CLUB LTD
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INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 MARCH 2023

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report, being a general purpose financial report of Broken Hill Musicians Club Ltd (the Company), which comprises the statement of financial position as at 31 March 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- (i) giving a true and fair view of the Company's financial position as at 31 March 2023 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards - Simplified Disclosure and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Company's current liabilities exceeded its current assets by \$1,155,656 as at 31 March 2023 (2022: \$1,825,706). As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the other information. The other information obtained at the date of this auditor's report is included in the Annual Report 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.

BROKEN HILL MUSICIANS CLUB LTD
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INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 MARCH 2023

Other Information (Continued)

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

If, based on the work we have performed on the other information 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 Management and Those Charged with Governance

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards - Simplified Disclosure, and for such internal control as management determines is necessary to enable the preparation of the financial report is free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

BROKEN HILL MUSICIANS CLUB LTD
ABN: 62 001 034 359

INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 MARCH 2023

Auditor's Responsibilities for the Audit of the Financial Report (Continued)

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial reporter, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

National Audits Group Pty Ltd
Authorised Audit Company



Danielle Nye
Director

Dated 23 August 2023

Wagga Wagga