Currarong Bowling & Recreation Club Limited ABN 31 000 960 985

Financial report for the year ended 30 April 2020

DIRECTORS' REPORT

Your Directors present this report on the company for the financial year ended 30 April 2020.

Directors

The names of each person who has been a Director during the year and to the date of this report are:

LOVE, David Allan

WALKER, Geoffrey Ross

HALLETT, Dianna Rose

DUNSTON, John Arthur (Deceased)

HARRISON, Lorna Merrilyn

SMALLWOOD, Stephen James

PRITCHARD, Kim

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 activity of the company during the financial year was the carrying on trade as a Licensed Bowling and Recreation Club.

Short-term and Long-term Objectives

The company's short-term objectives are:

- to trade profitably as a Licensed Club
- to maintain the Club's current working capital
- to achieve the strongest financial position as possible

The company's long-term objectives are:

- to maintain and where possible update Club facilities
- to protect the members assets

Strategies

To achieve its stated objectives, the company has adopted the following strategies:

- monitoring monthly results
- developing KPI's
- developing and following a long term strategic plan

DIRECTORS' REPORT

New Accounting Standards Implemented

The Company has assessed three new Accounting Standards that are applicable for the current reporting period. AASB 15: *Revenue from Contracts with Customers*, AASB 1058: *Income of Not-for-Profit Entities* and AASB 16. The Directors believe that there are no adjustments to the financial statements implementing these standards, therefore no adjustment has been made to the opening balance of equity at 1 May 2019 under the cumulative effect method.

Information on Directors

LOVE, David Allan	–	President
Experience	–	13 years on the board
WALKER, Geoffrey Ross	–	Treasurer
Experience	–	5 years on the board
HALLETT, Dianna Rose	–	Senior Vice President
Experience	–	9 years on the board
DUNSTON, John Arthur (Deceased)	-	Junior Vice President
Experience	-	6 years on the board
HARRISON, Lorna Merrilyn	–	Junior Vice President
Experience	–	2 years on the board
SMALLWOOD, Stephen James	–	Director
Experience	–	2 years on the board
PRITCHARD, Kim	-	Director
Experience	-	1 Year on the board

Meetings of Directors

During the financial year, 12 meetings of directors were held. Attendances by each director were as follows:

	Directors' Meetings	
	Number eligible to attend	**Number attended**
LOVE, David Allan	12	11
WALKER, Geoffrey Ross	12	11
HALLETT, Dianna Rose	12	11
DUNSTON, John Arthur (Deceased)	2	2
HARRISON, Lorna Merrilyn	12	11
SMALLWOOD, Stephen James	12	10
PRITCHARD, Kim	10	9

DIRECTORS' REPORT

Members Guarantees

The entity is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the entity is wound up, the constitution states that each member is required to contribute a maximum of $2 each towards meeting any outstanding obligations of the entity. At 30 April 2020, the total amount that members of the entity are liable to contribute if the entity is wound up is $2,498 (2019: $2,456).

Bushfires and Covid-19

During the financial year, the Club was impacted significantly with the NSW bushfire crisis and then the Covid-19 pandemic. This firstly saw the closure of Currarong Road, SCC caravan parks and current travel warnings over the usually busy Christmas Holidays and then closure of the Club during April. These closure periods have caused a reduction in revenue and cash flows while the Club incurred costs. Due to the Clubs strong net current asset position, the Directors believe they can sustain the ongoing decline in revenue forecasted for the next 18 months until normal conditions can resume. The situation will continue to be monitored.

Auditors Independence Declaration

The lead Auditors independence declaration for the year ended 30 April 2020 has been received and can be found on page 4 of the financial report.

This directors' report is signed in accordance with a resolution of the Board of Directors.

David Love

Geoffrey Walker

25th June 2020

AUDITORS INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF CURRARONG BOWLING & RECREATION CLUB LIMITED

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Currarong Bowling & Recreation Club Limited for the financial year ended 30 April 2020, I declare to the best of my knowledge and belief, there have been:

i. no contraventions of the auditor independence requirements of 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.

Morton + Cord

Morton & Cord

Michael Lees

25th June 2020

21 Moss Street Nowra NSW 2541

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

	Note	2020	2019
		$	$
Revenue	2	930,053	1,066,140
Other income	2	176,416	113,739
Fair value adjustments – Investment property	8	200,000	-
Cost of goods sold		(302,180)	(337,230)
Employee benefits expense		(353,511)	(353,180)
Depreciation and amortisation expense	3	(204,189)	(197,514)
Poker machine operating expenses		(28,534)	(31,934)
Bar operating expenses		(11,202)	(6,413)
Bowling green operating expenses		(81,167)	(80,000)
Entertainment expenses		(32,026)	(27,262)
Occupancy expenses		(142,037)	(170,277)
Other expenses		(106,444)	(83,272)
Profit for the year		45,179	(107,203)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
		-	-
Total comprehensive income for the year		-	-
Profit attributable to members of the entity		45,179	(107,203)
Total comprehensive income attributable to members of the entity		45,179	(107,203)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2020

	Note	2020	2019
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	1,617,960	1,788,846
Trade and other receivables	5	73,899	17,153
Inventories	6	39,781	22,447
Other assets	7	10,169	6,832
TOTAL CURRENT ASSETS		1,741,809	1,835,278
NON-CURRENT ASSETS			
Investment property	8	700,000	500,000
Property, plant and equipment	9	5,465,021	5,528,746
TOTAL NON-CURRENT ASSETS		6,165,021	6,028,746
TOTAL ASSETS		7,906,830	7,864,024
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	38,286	40,072
Other liabilities	11	9,281	11,619
Provisions	12	147,684	144,714
TOTAL CURRENT LIABILITIES		195,251	196,405
NON-CURRENT LIABILITIES			
Provisions	12	-	1,210
TOTAL NON-CURRENT LIABILITIES		-	1,210
TOTAL LIABILITIES		195,251	197,615
NET ASSETS		7,711,579	7,666,409
EQUITY			
Retained earnings		2,738,029	2,692,850
Reserves		4,973,559	4,973,559
TOTAL EQUITY		7,711,588	7,666,409

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY AS AT 30 APRIL 2020

	Note	Retained Earnings	Revaluation Surplus	Total
		$	$	$
Balance at 1 May 2018		2,800,053	4,973,559	7,773,612
Comprehensive income				
Profit (loss) for the year		(107,203)	-	(107,203)
Other comprehensive income for the year:				
– gains on revaluation of land and buildings		-	-	-
Total comprehensive income attributable to members of the entity for the year		(107,203)	-	(107,203)
Balance at 30 April 2019		2,692,850	4,973,559	7,666,409
Balance at 1 May 2019		2,692,850	4,973,559	7,666,409
Comprehensive income				
Profit (loss) for the year		45,179	-	45,179
Other comprehensive income for the year:				
– gains on revaluation of land and buildings		-	-	-
Total comprehensive income attributable to members of the entity for the year		45,179	-	45,179
Balance at 30 April 2020		2,738,029	4,973,559	7,711,588

The accompanying notes form part of these financial statements.

Currarong Bowling & Recreation Club Limited ABN 31 000 960 985

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 APRIL 2020

	Note	2020	2019
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,210,591	1,291,121
Payments to suppliers and employees		(1,154,063)	(181,706)
Interest received		30,082	36,882
Net cash generated from operating activities	19	(53,080)	72,533
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments of property, plant and equipment		(133,511)	(103,206)
Proceeds from sale of property, plant and equipment		15,705	-
Net cash used in investing activities		(117,806)	(103,206)
Net increase in cash held		(170,886)	(30,673)
Cash and cash equivalents at beginning of financial year		1,788,846	1,819,519
Cash and cash equivalents at end of financial year	4	1,617,960	1,788,846

The accompanying notes form part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

Currarong Bowling & Recreation Club Limited applies Australian Accounting Standards – Reduced Disclosure Requirements as set out in AASB 1053: *Application of Tiers of Australian Accounting Standards*.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on 25th June 2020 by the directors of the company.

Accounting Policies

a. **Revenue**

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a services and sales of goods is recognised upon the delivery of the service or sale of goods to the customer.

All revenue is stated net of the amount of goods and services tax.

b. **Inventories**

Inventories held for sale are measured at the lower of cost and net realisable value. Inventories held for distribution are measured at cost adjusted, when applicable, for any loss of service potential.

Inventories acquired at no cost, or for nominal consideration, are valued at the current replacement cost as at the date of acquisition.

c. **Property, Plant and Equipment**

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

Freehold property

Freehold land and buildings are shown at their fair value based on periodic valuations by external independent valuers, less subsequent depreciation for buildings.

In periods when the freehold land and buildings are not subject to an independent valuation, the directors conduct directors' valuations to ensure the carrying amount for the land and buildings is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in the revaluation surplus in equity. Revaluation decreases that offset previous increases of the same class of assets shall be recognised in other comprehensive income under the heading of revaluation surplus. All other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Freehold land and buildings that have been contributed at no cost, or for nominal cost, are initially recognised and measured at the fair value of the asset at the date it is acquired.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(f) for details of impairment).

Plant and equipment that have been contributed at no cost, or for nominal cost, are valued and recognised at the fair value of the asset at the date it is acquired.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.5%
Plant and equipment	15–30%
Poker machines	20-30%

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

d. **Leases**

The Entity as lessee

At inception of a contract, the Entity assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Entity where the Entity is a lessee. However all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

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

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

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

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

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Entity anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

Concessionary Leases

For leases that have significantly below-market terms and conditions principally to enable the Entity to further its objectives (commonly known as peppercorn/concessionary leases), the Entity has adopted the temporary relief under AASB 2018-8 and measures the right of use assets at cost on initial recognition.

The Entity as lessor

The Entity leases some rooms in their building to external parties.

Upon entering into each contract as a lessor, the Entity assesses if the lease is a finance or operating lease

The contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases.

Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease.

Initial direct costs incurred in entering into an operating lease (for example legal cost, cost to setup) are included in the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Rental income due under finance leases are recognised as receivables at the amount of the Entity 's net investment in the leases.

When a contract is determined to include lease and non-lease components, the Entity uses the relative stand-alone price to allocate the consideration under the contract to the lease and non-lease components.

e. **Financial Instruments**

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the entity commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified as “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain significant financing component or if the practical expedient was applied as specified in AASB 15: *Revenue from Contracts with Customers*.

Classification and subsequent measurement

Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: *Business Combinations* applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense over in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit-taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in effective hedging relationships).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The entity initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as an “accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy and information about the groupings is documented appropriately, so the performance of the financial liability that is part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Equity instruments

At initial recognition, as long as the equity instrument is not held for trading or is not a contingent consideration recognised by an acquirer in a business combination to which AASB 3 applies, the entity made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the entity’s accounting policy.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the entity no longer controls the asset (i.e. has no practical ability to make unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which the entity elected to classify under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

The entity recognised a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (eg amount due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The entity used the following approaches to impairment, as applicable under AASB 9:

- the general approach;
- the simplified approach;
- the purchased or originated credit-impaired approach; and
- low credit risk operational simplification.

General approach

Under the general approach, at each reporting period, the entity assesses whether the financial instruments are credit-impaired, and:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- if the credit risk of the financial instrument has increased significantly since initial recognition, the entity measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; and
- if there is no significant increase in credit risk since initial recognition, the entity measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (ie diversity of its customer base, appropriate groupings of its historical loss experience, etc).

Purchased or originated credit-impaired approach

For financial assets that are considered to be credit-impaired (not on acquisition or originations), the entity measured any change in its lifetime expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Evidence of credit impairment includes:

- significant financial difficulty of the issuer or borrower;
- a breach of contract (eg default or past due event);
- a lender has granted to the borrower a concession, due to the borrower's financial difficulty, that the lender would not otherwise consider;
- the likelihood that the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for the financial asset because of financial difficulties.

Low credit risk operational simplification approach

If a financial asset is determined to have low credit risk at the initial reporting date, the entity assumed that the credit risk has not increased significantly since initial recognition and, accordingly, can continue to recognise a loss allowance of 12-month expected credit loss.

In order to make such a determination that the financial asset has low credit risk, the entity applied its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:

- there is a low risk of default by the borrower;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term, may, but not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset is not considered to carry low credit risk merely due to existence of collateral,

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

or because a borrower has a lower risk of default than the risk inherent in the financial assets, or relative to the credit risk of the jurisdiction in which it operates.

Recognition of expected credit losses in financial statements

At each reporting date, the entity recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit and loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability, which is extinguished or transferred to another party, and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

f. **Impairment of Assets**

At the end of each reporting period, the entity assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

g. **Employee Benefits**

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

The company classifies employees' long service leave and annual leave entitlements as other long-term employee benefits as they are not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Provision is made for the company's obligation for other long-term employee benefits, which are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss classified under employee benefits expense.

The company's obligations for long-term employee benefits are presented as non-current liabilities in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current liabilities.

h. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

i. **Goods and Services Tax (GST)**

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

j. **Income Tax**

No provision for income tax has been raised as the entity is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*.

k. **Provisions**

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

l. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

m. **Trade and Other Payables**

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

n. **Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key estimates

(i) *Valuation of freehold land and buildings*

The freehold land and buildings were independently valued at 30 April 2016 by Keith Gibson. The valuation was based on the fair value less costs of disposal. The critical assumptions adopted in determining the valuation included the location of the land and buildings, the current strong demand for land and buildings in the area and recent sales data for similar properties. The valuation resulted in a revaluation increment of $3,018,737 being recognised for the year ended 30 April 2016.

At 30 April 2020, the directors have performed a directors' valuation on the freehold land and buildings. The directors have reviewed the key assumptions adopted by the valuers in 2016 and do not believe there has been a significant change in the assumptions at 30 April 2020. The directors therefore believe the carrying amount of the land correctly reflects the fair value less costs of disposal at 30 April 2020.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Key judgements

(i) *Employee benefits*

For the purpose of measurement, AASB 119: *Employee Benefits* defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As the company expects that most employees will not use all of their annual leave entitlements in the same year in which they are earned or during the 12-month period that follows, the directors believe that obligations for annual leave entitlements satisfy the definition of other long-term employee benefits and, therefore, are required to be measured at the present value of the expected future payments to be made to employees.

o. **Fair Value of Assets and Liabilities**

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

"Fair value" is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, the use of observable market data.

To the extent possible, market information is extracted from the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability). In the absence of such a market, market information is extracted from the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (if any) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2020

NOTE 2: REVENUE AND OTHER INCOME

	2020	2019
	$	$
Revenue		
Trading income		
– bar sales	635,853	711,609
– poker machine revenue	261,007	318,716
– keno commission	33,193	35,815
	930,053	1,066,140
Other income		
– interest received	30,082	36,882
– member subscriptions	6,777	6,315
– other commissions	7,715	8,911
– other revenue	72,032	42,304
– rental income	19,327	19,327
– government stimulus – COVID-19	40,483	-
Total other income	176,416	113,739
Total revenue and other income	1,106,469	1,179,879

NOTE 3: PROFIT FOR THE YEAR

	2020	2019
Expenses		
Employee benefits expense:		
– contributions superannuation funds	27,439	31,300
Depreciation and amortisation:		
– land and buildings	105,338	105,187
– poker machines	53,146	45,560
– plant and equipment	45,705	46,767
Total depreciation and amortisation	204,189	197,514
Auditors remuneration	10,400	10,000
Other services	6,350	9,740
Total auditors remuneration	16,750	19,740

NOTE 4: CASH AND CASH EQUIVALENTS

	2020	2019
CURRENT		
Cash at bank	1,554,102	1,724,531
Cash on hand	63,858	64,315
	1,617,960	1,788,846

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2020

NOTE 5: TRADE AND OTHER RECEIVABLES

	2020	2019
	$	$
CURRENT		
Trade receivables	33,416	17,153
Other receivables	40,483	-
	73,899	17,153

NOTE 6: INVENTORIES

CURRENT		
At cost:		
Bar stock	39,781	22,447
	39,781	22,447

NOTE 7: OTHER ASSETS

CURRENT		
Prepayments	9,523	6,832
Other assets	646	-
	10,169	6,832

NOTE 8: INVESTMENT PROPERTY

NON-CURRENT		
Investment Property		
-– at valuation 2016	500,000	500,000
-– fair value adjustments	200,000	-
	700,000	500,000

At 30 April 2020, the directors have performed a directors' valuation on the investment property. The directors have reviewed the key assumptions adopted by the valuers in 2016 and believe there has been a significant change in the fair value at 30 April 2020. The directors therefore believe the carrying amount of the investment property no longer correctly reflects the fair value less costs of disposal at 30 April 2020. As a result the directors' made a fair value adjustment of $200,000. Refer to Note 17 for detailed disclosures regarding the fair value measurement of the entity's investment property.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2020

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	2020	2019
	$	$
Land and Buildings		
Land & improvements at fair value:		
– independent valuation in 2016	950,000	950,000
Total land & improvements	950,000	950,000
Bowling greens at fair value:		
– independent valuation in 2016	290,000	290,000
Total bowling greens	290,000	290,000
Buildings at fair value:		
– independent valuation in 2016	4,042,750	4,042,750
– additions	152,447	144,173
Less accumulated depreciation	(416,034)	(310,696)
Total buildings	3,779,163	3,876,227
Total land and buildings	5,019,163	5,116,227
Poker machines		
At cost	630,044	615,476
Less accumulated depreciation	(425,500)	(453,082)
Total poker machines	204,544	162,394
Plant and Equipment		
Bar & kitchen equipment:		
At cost	205,392	192,053
Less accumulated depreciation	(92,231)	(75,000)
	113,161	117,053
Bowling green equipment:		
At cost	21,957	21,957
Less accumulated depreciation	(16,376)	(14,630)
	5,581	7,327
Clubhouse furnishings & equipment:		
At cost	258,375	238,691
Less accumulated depreciation	(141,927)	(126,248)
	116,448	112,443
Club vehicle:		
At cost	35,091	35,091
Less accumulated depreciation	(32,890)	(25,840)
	2,201	9,251

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2020

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	2020	2019
	$	$
Residence furnishings:		
At cost	5,120	5,120
Less accumulated depreciation	(1,197)	(1,069)
	3,923	4,051
Total plant and equipment	241,314	250,125
Total property, plant and equipment	5,465,021	5,528,746

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 and Buildings	Poker Machines	Plant and Equipment	Total
	$	$	$	$
2019				
Balance at the beginning of the year	5,116,227	162,394	250,125	5,528,746
Additions at cost	8,274	95,294	36,894	140,464
Reallocation	-	-	-	-
Disposals	-	-	-	-
Depreciation expense	(105,338)	(53,146)	(45,705)	(204,189)
Carrying amount at the end of the year	5,019,163	204,544	241,314	5,465,021

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2020

NOTE 10: TRADE AND OTHER PAYABLES

		Note	2020	2019
			$	$
CURRENT				
Trade payables			30,734	30,793
Other current payables			7,552	9,279
			38,286	40,072
a.	**Financial liabilities at amortised cost classified as trade and other payables**			
	Trade and other payables:			
	– total current		30,734	30,793
	– total non-current		-	-
	Financial liabilities as trade and other payables	17	30,734	30,793

NOTE 11: OTHER LIABILITIES

	2020	2019
Income in advance	9,281	11,619
	9,281	11,619

NOTE 12: PROVISIONS

	2020	2019
CURRENT		
Provision for employee benefits:		
Annual leave	56,485	49,259
Sick leave – vesting	28,520	29,572
Long service leave	62,679	65,883
	147,684	144,714
NON-CURRENT		
Provision for employee benefits:		
Long service leave	-	1,210
	-	1,210
Total provision for employee benefits	147,684	145,924

	Total
	$
Analysis of total provisions	
Opening balance at 1 May 2019	145,924
Additional provisions raised during year	12,630
Amounts used	(10,870)
Balance at 30 April 2020	147,684

NOTE 12: PROVISIONS

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been discussed in Note 1(g).

NOTE 13: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The directors do not believe that there are any contingent assets or liabilities as at the date of this report.

NOTE 14: EVENTS AFTER THE REPORTING PERIOD

The Club was forced to close during the year by the State and Federal Governments due to Covid-19 lockdowns. This has seriously affected the trading results of the company. The Club has since re-opened in a limited capacity using social distancing rules in place. The Club is receiving JobKeeper payments for eligible employees and cashflow boost payments. The Club will continue to monitor the situation and have adjusted forecasts accordingly.

NOTE 15: KEY MANAGEMENT PERSONNEL COMPENSATION

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 is considered key management personnel (KMP).

The totals of remuneration paid to KMP of the company during the year are as follows:

	2020	2019
	$	$
KMP compensation	88,079	84,382

NOTE 16: OTHER RELATED PARTY TRANSACTIONS

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel individually or collectively with their close family members.

During the year a family member of the Secretary Manager, was employed as a casual bar attendant. This position was on normal commercial terms and no more favourable than those available to other staff.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2020

NOTE 17: FINANCIAL RISK MANAGEMENT

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, and leases.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 139: *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies to these financial statements, are as follows:

	Note	2020	2019
		$	$
Financial assets			
Cash and cash equivalents	4	1,617,960	1,788,846
Trade and other receivables	5	73,899	17,153
Total financial assets		1,691,859	1,805,999
Financial liabilities			
Financial liabilities at amortised cost:			
– trade and other payables	10a	30,734	30,793
Total financial liabilities		30,734	30,793

Refer to Note 17 for detailed disclosures regarding the fair value measurement of the company's financial assets and financial liabilities.

NOTE 17: FAIR VALUE MEASUREMENTS

The company has the following assets, as set out in the table below, that are measured at fair value on a recurring basis after their initial recognition. The company does not subsequently measure any liabilities at fair value on a recurring basis and has no assets or liabilities that are measured at fair value on a non-recurring basis.

	Note	2020	2019
		$	$
Recurring fair value measurements			
Property, plant and equipment			
Freehold land (i)	9	950,000	950,000
Freehold buildings (i)	9	4,042,750	4,042,750
		4,992,750	4,992,750
Investment property			
Yalwal Street (ii)	8	700,000	500,000

(i) For freehold land and buildings, the fair values are based on an external independent valuation performed in the 2016 year, which used comparable market data for similar properties.

(ii) For the investment property, the fair values are based on an external market appraisal and reviewing publicly available sales prices for comparable market data for similar properties less an estimated cost for disposal.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2020

NOTE 18: RESERVES

a. **Revaluation Surplus**

The revaluation surplus records the revaluations of non-current assets. Where revaluations are deemed to represent profits of a permanent nature, dividends may be declared from this reserve.

NOTE 19: RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2020	2019
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	45,179	(107,203)
Depreciation	204,189	197,514
Profit on sale of assets	(22,677)	
Fair value adjustments	(200,000)	-
Operating profit before changes in working capital and provisions	26,691	90,311
(Increase)/decrease in inventories	(17,334)	2,495
(Increase)/decrease in trade and other receivables	(56,736)	(8,228)
(Increase)/decrease in other assets	(3,337)	569
(Decrease)/increase in trade and other payables	(4,124)	6,239
(Decrease)/Increase in provisions and employee benefits	1,760	(18,853)
Net cash from operating activities	(53,080)	72,533

NOTE 20: ENTITY DETAILS

The registered office of the entity is:

Morton & Cord

21 Moss Street

NOWRA NSW 2541

The principal place of business is:

16 Currarong Road

CURRARONG NSW 2540

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Currarong Bowling & Recreation Club Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 27, are in accordance with the *Corporations Act 2001* and:
    a. comply with Australian Accounting Standards – Reduced Disclosure Requirements; and
    b. give a true and fair view of the financial position of the company as at 30 April 2020 and of its performance for the year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

David Love

Geoffrey Walker

25th June 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CURARONG BOWLING & RECREATION CLUB LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Currarong Bowling & Recreation Club Limited (the company), which comprises the statement of financial position as at 30 April 2020, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of Currarong Bowling & Recreation Club Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 April 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

Basis for Opinion

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

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Currarong Bowling & Recreation Club Limited, 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.

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

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 April 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CURARONG BOWLING & RECREATION CLUB LIMITED

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 directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Morton + Cord

Morton & Cord — Michael Lees

21 Moss Street Nowra NSW 2541

25th June 2020