

# **BROKEN HILL MUSICIANS CLUB LTD**

**ABN: 62 001 034 359**

## **FINANCIAL REPORT**

**FOR THE YEAR ENDED 31 MARCH 2022**

# BROKEN HILL MUSICIANS CLUB LTD

ABN: 62 001 034 359

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FOR THE YEAR ENDED 31 MARCH 2022

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# BROKEN HILL MUSICIANS CLUB LTD

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## CLUB PROPERTY DECLARATION

FOR THE YEAR ENDED 31 MARCH 2022

Pursuant to Section 41E of the *Registered Clubs Act 1976* the Director's declare that, for the financial year ended 31 March 2022, the classification of the freehold land is as follows:

<b>Property Address</b>	<b>Current Usage</b>	<b>Classification</b>
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.

# BROKEN HILL MUSICIANS CLUB LTD

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## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The Directors present their report on Broken Hill Musicians Club Ltd (the Company) for the financial year ended 31 March 2022.

### Directors

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

<b>Names</b>	<b>Position</b>
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 in costs associated with management of the Delta and Omicron COVID-19 variants including implementation of Government health orders and staff testing, this situation showed signs of improvement from March 2022 onwards and as such it is expected to be a one-off event notwithstanding any further variants or Government health orders.

### 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.

### 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

# BROKEN HILL MUSICIANS CLUB LTD

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## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

### Long term objectives

- 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 \$ 57,260 (2021: \$ 61,390).

The membership of the Company as at 31 March 2022 was:

Life	10
Ordinary	5716
Total	5726

# BROKEN HILL MUSICIANS CLUB LTD

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## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

### Information on Directors

Kim Evans	President
Qualifications and Experience	Board Member 8 years, Clerk
Paul Kemp	Vice President
Qualifications and Experience	Board Member 4 years, General Manager
Kenneth Dennis	Deputy Vice President
Qualifications and Experience	Board Member 6 years, Paralegal
Eric Craney	Director
Qualifications and Experience	Board Member 5 years, Lawyer
Gavin Kersten	Director
Qualifications and Experience	Board Member 5 years, Retired
Donald McQuillan	Director
Qualifications and Experience	Board Member 5 years, Retired
Leon Evans	Director
Qualifications and Experience	Board Member 1 year, Airport services provider

### Meetings of Directors

During the financial year, 12 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	12
Kenneth Dennis	12	11
Eric Craney	12	12
Gavin Kersten	12	10
Donald McQuillan	12	12
Leon Evans	12	12

# BROKEN HILL MUSICIANS CLUB LTD

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## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 MARCH 2022

#### Significant changes in state of affairs

The following significant changes in the state of affairs of the Company occurred during the financial year:

(i) All clubs and other licensed venues were ordered to temporarily cease trading on 14 August 2021 until further notice. This trading restriction was subsequently relaxed, and the Company recommenced operating from 11 October 2021.

(ii) The Company has received cash boost payments, and claimed job keeper subsidies for all eligible staff, from the Australian Government.

#### Events after the reporting date

The Company entered into an agreement with Illowra Holdings Pty Ltd on 6th June 2022 for the purchase of the land and buildings located at 41-47 Oxide Street, Broken Hill NSW (described as the 'Cinema Site'), as well as the plant, equipment, and stock, for a cost of \$400,000. The Company will continue operating this site as a Cinema.

As part of the purchase agreement, Illowra Holdings Pty Ltd engaged a licensed valuer to value the land and buildings. The valuation was conducted on 17 May 2022 and the reported value was \$500,000.

As part of the purchase, the Company is currently seeking to obtain finance through their finance broker to purchase the 'Cinema.'

As at the date the financial report was authorised for issue, the purchase of the 'Cinema' was contingent on the final approval of the sale contract and the finance was contingent on the finalisation of the contract by all parties.

Except for the above, 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.

#### 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.

#### 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 2022 has been received and can be found on page 7 of the financial report.

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**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 MARCH 2022**

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



Director: .....

Kim Evans



Director: .....

Eric Craney

Dated 4 August 2022



**BROKEN HILL MUSICIANS CLUB LTD**

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**AUDITOR'S INDEPENDENCE DECLARATION**

**FOR THE YEAR ENDED 31 MARCH 2022**

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 2022, 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 5 August 2022**

**Wagga Wagga**

# BROKEN HILL MUSICIANS CLUB LTD

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## STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 MARCH 2022

		2022	2021
	Note	\$	\$
Revenue		6,231,508	6,064,058
Other Income		211,066	404,556
	4	<u>6,442,574</u>	<u>6,468,614</u>
Interest income		3,618	6,782
<b>Less: Expenses</b>			
Bands and artists		27,707	26,891
Bar and bistro expenses		828,898	670,764
Depreciation expense		711,612	611,213
Employee benefits expense		1,968,464	1,862,309
Entertainment and promotions		810,353	542,014
Finance costs		63,441	76,247
Gaming machine expenses		221,858	150,734
Gaming machine tax		726,792	739,174
Insurance		153,825	123,436
Other expenses		501,337	398,306
Professional fees		104,543	104,015
Rates and utilities		245,444	232,988
Repairs and maintenance		90,487	182,281
		<u>(8,569)</u>	<u>755,024</u>
<b>Profit/(loss) for the year</b>		(8,569)	755,024
Income tax expense	2(b)	-	-
Other comprehensive income		-	-
		<u>(8,569)</u>	<u>755,024</u>
<b>Total comprehensive income for the year</b>		<u>(8,569)</u>	<u>755,024</u>
<b>Retained earnings at the beginning of the year</b>		2,413,507	1,658,483
Opening balance adjustment	2(a)	(130,529)	-
Profit/(loss) for the year		<u>(8,569)</u>	<u>755,024</u>
<b>Retained earnings at the end of the year</b>		<u>2,274,409</u>	<u>2,413,507</u>

The accompanying notes form part of these financial statements.

# BROKEN HILL MUSICIANS CLUB LTD

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## STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 \$	2021 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	1,145,473	1,081,556
Trade and other receivables		6,475	3,590
Inventories		55,131	43,421
Other assets		134,439	110,069
<b>TOTAL CURRENT ASSETS</b>		<b>1,341,518</b>	<b>1,238,636</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	4,120,724	3,585,976
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,120,724</b>	<b>3,585,976</b>
<b>TOTAL ASSETS</b>		<b>5,462,242</b>	<b>4,824,612</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	1,083,829	825,749
Borrowings	9	1,751,803	1,316,609
Contract liabilities		11,408	11,408
Employee entitlements	10	320,184	240,597
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,167,224</b>	<b>2,394,363</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee entitlements	10	20,609	16,742
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>20,609</b>	<b>16,742</b>
<b>TOTAL LIABILITIES</b>		<b>3,187,833</b>	<b>2,411,105</b>
<b>NET ASSETS</b>		<b>2,274,409</b>	<b>2,413,507</b>
<b>EQUITY</b>			
Retained earnings		2,274,409	2,413,507
<b>TOTAL EQUITY</b>		<b>2,274,409</b>	<b>2,413,507</b>

The accompanying notes form part of these financial statements.

# BROKEN HILL MUSICIANS CLUB LTD

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## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

	2022	2021
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and government subsidies	6,241,106	6,470,717
Payments to suppliers and employees	(5,369,255)	(5,024,123)
Receipts from government funding	198,583	-
Interest received	3,618	6,782
Finance costs	(63,441)	(76,247)
<b>Net cash provided by operating activities</b>	<u>1,010,611</u>	<u>1,377,129</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of plant and equipment	95,410	16,197
Purchase of property, plant and equipment	(1,466,664)	(726,246)
<b>Net cash used in investing activities</b>	<u>(1,371,254)</u>	<u>(710,049)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings	789,511	190,721
Repayment of borrowings	(354,317)	(498,453)
<b>Net cash provided by/(used in) financing activities</b>	<u>435,194</u>	<u>(307,732)</u>
<b>Net increase in cash and cash equivalents held</b>	74,551	359,348
Cash and cash equivalents at beginning of year	1,081,556	722,208
Opening balance adjustments	2(a) (10,634)	-
<b>Cash and cash equivalents at end of financial year</b>	6 <u>1,145,473</u>	<u>1,081,556</u>

The accompanying notes form part of these financial statements.

# BROKEN HILL MUSICIANS CLUB LTD

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

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 4 August 2022.

### 1 BASIS OF PREPARATION

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosure, *Corporations Act 2001*, and *Corporations Regulation 2001*.

The Company has opted to adopt AASB 1060 *General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-For-Profit Tier 2 Entities* ahead of its mandatory effective date of 1 July 2021. Other than the change in disclosures requirements, the adoption of AASB 1060 has no significant impact on the financial statements due to the Company's previous financial statements complying with Australian Accounting Standards - Reduced Disclosures Requirements.

The financial report, 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 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 \$1,825,706 as at 31 March 2022 (2021: \$1,155,727), the financial statements have been prepared on a going concern basis.

Included in current liabilities as at 31 March 2022 are bank loans, chattell mortgages and finance leases which amounted to \$1,751,803 (2021: \$1,316,609). These borrowings pertain to, and are secured by, the non-current assets of the Company. 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.

Further, the Company had \$74,551 in net cash inflows from operating, investing, and financing activities for the year ended 31 March 2022 (2021: \$359,348). 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.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Opening Balance Adjustment

The opening balance adjustments reported within the Statement of Income and Retained Earnings for the year ended 31 March 2022 amounted to (\$130,529), and has been dissected in further detail below:

- Social Club - Bank Account: (\$10,634); and
- Artwork - Change in Accounting Policy: (\$119,895).

# BROKEN HILL MUSICIANS CLUB LTD

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Opening Balance Adjustment

##### **Social Club - Bank Account**

Included in the cash and cash equivalents of the Company as at 31 March 2021 was a Social Committee bank account which had a balance of \$10,634. This account represented the deductions made from the Company's employee payroll for social club purposes. It was concluded these funds did not pertain to the Company, and therefore, an opening balance adjustment was required to write-off these funds.

##### **Artwork - Change in Accounting Policy**

Historically, the Company has recognised and measured its artwork assets at fair value with a useful life of 100 years. Due to the nominal impact of the depreciation calculated on the artwork asset balances, no depreciation has been recognised by the Company.

Further, since the initial acquisition of each artwork asset, no fair value has been obtained and subsequently reported by way of a valuation reserve. On this basis, the Directors concluded the artwork assets of the Company were being reported at their cost amount rather than fair value.

On this basis, the Company revised its accounting policy during the year in relation to the initial recognition and measurement of its artwork assets. This resulted in a threshold of \$5,000 being established for the recognition of artwork assets as an asset of the Company within the statement of financial position.

Due to this change in accounting policy, \$119,895 of artwork assets were adjusted through opening retained earnings to recognise the assets acquired for less than \$5,000 being expensed on acquisition. The Directors also amended the accounting policy for the subsequent measurement of the remaining artwork assets to be at their cost with no known useful life.

The artwork assets are therefore required to be subjected to impairment assessments in future reporting periods as and when an impairment trigger has been identified.

#### (b) 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 5.6% (2021: 7.6%). 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 and therefore, the carried forward tax losses are unlikely to be recovered.

# BROKEN HILL MUSICIANS CLUB LTD

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (c) 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.

##### **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.

##### **Membership subscriptions**

Membership subscriptions represent the amounts received from the Company's members in accordance with the Rules of the Company. Membership subscriptions received in advance incur an obligation for the Company to honour the terms and conditions of the membership for the term of the membership.

This represents a performance obligation to provide all benefits associated with the membership to the members. Therefore, membership subscriptions received in advance are recognised on the statement of financial position as a contract liability and subsequently recognised as revenue in the year to which they relate, on a straight-line basis.

# BROKEN HILL MUSICIANS CLUB LTD

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (c) Revenue and other income

##### 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.

##### Gain on disposal of non-current assets

When a non-current asset is disposed, the gain or loss is calculated by comparing proceeds received with its carrying amount and is taken to profit or loss on the date the disposal occurred.

##### Interest revenue

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

##### Other income

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

##### Government subsidies

The Company was eligible and has received JobSaver subsidies for the period between August 2021 to November 2021 from the Commonwealth Government as part of the COVID-19 economic relief.

The Government subsidies received during the period were recognised as revenue upon receipt, in accordance with AASB 1058 *Income of Not-for-Profit Entities*. This was due to the nature of these grants and subsidies, having no performance obligations attached to them.

#### (d) Cash and cash equivalents

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

#### (e) 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.

The Company is party to a number of hire purchase leases with Aristocrat and South Coast Gaming 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.



# BROKEN HILL MUSICIANS CLUB LTD

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (f) Inventories

Inventories for bar and kitchen stock are measured at the lower of cost and net realisable value. Cost of inventory is determined using the individual item basis which is inclusive of freight and delivery charges and is net of any rebates and discounts received.

Net realisable value is the estimated selling price in the ordinary course of business, costs necessary to make the sale. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written off in the statement of income and retained earnings when deemed to be damaged or obsolete.

#### (g) 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.

#### (h) 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 assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

##### 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).

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.

#### (i) Property, plant and equipment

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.

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2022**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(i) Property, plant and equipment**

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.

**Revaluation Model**

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 building assets are measured using the revaluation model.

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.

**Freehold land**

Land is 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. Refer to Note 3 for estimates and judgement used in determining fair value.

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

**Buildings**

Buildings are measured using the revaluation model. Buildings are measured using the depreciated replacement cost model (fair value). The depreciated replacement cost is determined using fair market values and useful life assessments which are 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 or useful life. Refer to Note 3 for estimates and judgement used in determining fair value.

**Artworks**

Artworks are measured using the cost model. Artworks have an undeterminable useful life and therefore are not subjected to depreciation. Artworks are assessed for impairment on an annual basis and written down as required.

**Plant and equipment**

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

**Depreciation**

Property, plant and equipment, excluding freehold land and artwork, 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:

<b>Fixed asset class</b>	<b>Useful Life</b>
Buildings	40 years

# BROKEN HILL MUSICIANS CLUB LTD

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (i) Property, plant and equipment

Fixed asset class	Useful Life
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.

#### (j) 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.

#### (k) 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.

#### (l) 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.

#### (m) 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.

# BROKEN HILL MUSICIANS CLUB LTD

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

### 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.

#### ***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.

#### ***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.

#### ***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 independent valuation of property (land and buildings) carried at fair value was obtained on 14 November 2017. The Directors have reviewed this valuation and do not believe there has been a material movement in the value of the assets. The valuation is an estimation which would only be realised if the property is sold.

# BROKEN HILL MUSICIANS CLUB LTD

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

	2022	2021
	\$	\$
<b>4 REVENUE</b>		
<b>Revenue from contracts with customers</b>		
Gaming machine takings	4,106,103	4,171,090
Memberships	51,040	48,902
Commissions	130,739	108,475
Sales revenue	1,885,485	1,721,910
Other income	58,141	13,681
	<u>6,231,508</u>	<u>6,064,058</u>
<b>Revenue recognised upon receipt</b>		
Gain on disposal of non-current assets	12,483	18,556
Government subsidies	198,583	386,000
	<u>211,066</u>	<u>404,556</u>
	<u><u>6,442,574</u></u>	<u><u>6,468,614</u></u>
<b>5 AUDITOR'S REMUNERATION</b>		
Remuneration of the auditor, National Audits Group Pty Ltd for:		
- auditing and assisting with the compilation of the financial statements	<u>22,000</u>	<u>21,000</u>
<b>6 CASH AND CASH EQUIVALENTS</b>		
CURRENT		
Cash at bank	850,009	825,760
Cash on hand	293,000	253,000
Other cash and cash equivalents	2,464	2,796
	<u>1,145,473</u>	<u>1,081,556</u>

# BROKEN HILL MUSICIANS CLUB LTD

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

	2022	2021
	\$	\$
<b>7 PROPERTY, PLANT AND EQUIPMENT</b>		
NON-CURRENT		
Freehold land		
At fair value	303,500	303,500
Buildings		
At fair value	844,875	844,875
Less: Accumulated depreciation	(90,961)	(70,019)
	<u>753,914</u>	<u>774,856</u>
Plant and equipment		
At cost	5,405,031	4,703,323
Less: Accumulated depreciation	(2,616,221)	(2,379,598)
	<u>2,788,810</u>	<u>2,323,725</u>
Artworks		
At fair value	64,000	183,895
Capital work in progress		
At cost	210,500	-
	<u>210,500</u>	<u>-</u>
<b>Total property, plant and equipment</b>	<u><u>4,120,724</u></u>	<u><u>3,585,976</u></u>

## BROKEN HILL MUSICIANS CLUB LTD

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

#### 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 \$	Artworks \$	Capital work in progress \$	Total \$
<b>Year ended 31 March 2022</b>						
Balance at the beginning of the year	303,500	774,856	2,323,725	183,895	-	3,585,976
Additions	-	-	1,256,163	-	210,500	1,466,663
Disposals	-	-	(100,408)	-	-	(100,408)
Depreciation expense	-	(20,942)	(690,670)	-	-	(711,612)
Other changes, movements	-	-	-	(119,895)	-	(119,895)
Balance at the end of the year	303,500	753,914	2,788,810	64,000	210,500	4,120,724

\*Capital work in progress as at 31 March 2022 represents costs incurred to date by the Company for the refurbishment project.

**BROKEN HILL MUSICIANS CLUB LTD**  
**ABN: 62 001 034 359**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2022**

	<b>2022</b>	<b>2021</b>
	\$	\$
<b>8 TRADE AND OTHER PAYABLES</b>		
CURRENT		
Trade payables	773,249	682,283
Accrued expenses	16,069	15,061
Other payables	3,500	3,200
Gaming tax payable	291,011	125,205
	1,083,829	825,749
<b>9 BORROWINGS</b>		
CURRENT		
Bank loan facilities	888,000	893,000
Chattel mortgages	85,399	182,737
Finance lease liabilities	778,404	240,872
	1,751,803	1,316,609

**Bank loans**

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.

**Chattel mortgages**

The Company has entered into the following chattel mortgage agreements with the ANZ Bank:

1. Holden Acadia in January 2019 for a period of 54 months. Repayments are paid monthly with a fixed interest rate of 4.21%.
2. Air Conditioning Unit in November 2020 for a period of 36 months. Repayments are paid monthly with a fixed interest rate of 3.33%.

**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

ABN: 62 001 034 359

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

	2022	2021
	\$	\$
<b>10 EMPLOYEE ENTITLEMENTS</b>		
CURRENT		
Annual leave	206,726	157,113
Long service leave	113,458	83,484
	<u>320,184</u>	<u>240,597</u>
NON-CURRENT		
Long service leave	<u>20,609</u>	<u>16,742</u>

### 11 CONTINGENCIES

In the opinion of the Directors, the Company did not have any contingencies at 31 March 2022 (31 March 2021: None).

### 12 EVENTS OCCURRING AFTER THE REPORTING DATE

The financial report was authorised for issue on 4 August 2022 by the Board of Directors.

The Company entered into an agreement with Illowra Holdings Pty Ltd on 6th June 2022 for the purchase of the land and buildings located at 41-47 Oxide Street, Broken Hill NSW (described as the 'Cinema Site'), as well as the plant, equipment, and stock. The Company will continue operating this site as a Cinema.

As part of the purchase agreement, Illowra Holdings Pty Ltd engaged a licensed valuer to value the land and buildings.

As part of the purchase, the Company is currently seeking to obtain finance through their finance broker to purchase the 'Cinema.'

As at the date the financial report was authorised for issue, the purchase of the 'Cinema' was contingent on the final approval of the sale contract and the finance was contingent on the finalisation of the contract by all parties.

Except for the above, 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.

**BROKEN HILL MUSICIANS CLUB LTD**  
ABN: 62 001 034 359

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2022**

**13 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:

- Kim Evans                      President
- Paul Kemp                      Vice President
- Kenneth Dennis              Deputy Vice President
- Gavin Kersten                Director
- Eric Craney                    Director
- Donald McQuillan          Director
- Leon Evans                    Director
- Michael Boland              Secretary 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.

**14 KEY MANAGEMENT PERSONNEL REMUNERATION**

The total remuneration paid to key management personnel of the Company during the year was \$ 150,000-220,000 (2021: \$ 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.

**15 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**

**ABN: 62 001 034 359**

**DIRECTORS' DECLARATION**

**FOR THE YEAR ENDED 31 MARCH 2022**

The Directors of the Company declare that the financial statements and notes, as set out on pages 8 to 24, 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 2022 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 4 August 2022

## **BROKEN HILL MUSICIANS CLUB LTD**

**ABN: 62 001 034 359**

### **INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED 31 MARCH 2022**

## **Report on the Audit of the Financial Report**

### **Opinion**

We have audited the financial report of Broken Hill Musicians Club Ltd (the Company), which comprises the statement of financial position as at 31 March 2022, the statement of income and retained earnings 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 2022 and of its financial performance for the year then ended; and
- (ii) complying with the 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 *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 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 \$1,825,706 as at 31 March 2022 (2021: \$1,155,727). 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**  
**ABN: 62 001 034 359**

**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**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 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 - Simplified Disclosure, the *Corporations Act 2001* and *Corporations Regulation 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.

**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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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.

**BROKEN HILL MUSICIANS CLUB LTD**

**ABN: 62 001 034 359**

**INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED 31 MARCH 2022**

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

- 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.

We also provide the Directors 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 5 August 2022**

**Wagga Wagga**