



NEWCASTLE CRUISING
YACHT CLUB

**Newcastle Cruising Yacht
Club Limited**

ACN 064 201 029

**Annual Financial Report
for the year ended 31 March 2020**

Newcastle Cruising Yacht Club Limited ACN 064 201 029
Annual financial report for the year ended 31 March 2020

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These financial statements are the financial statements of Newcastle Cruising Yacht Club Limited. The financial statements are presented in the Australian currency.

The financial statements were authorised for issue by the Directors on 23 June 2020. The Directors have the power to amend and reissue the financial statements.

Director's report

Your Directors present their report on Newcastle Cruising Yacht Club Limited (the Club) for the year ended 31 March 2020.

Directors details

The following persons were Directors of Newcastle Cruising Yacht Club Limited during the financial year, and up to the date of this report:

Mr Steve Rae

Commodore
Director since 2013

Steve is a regular participant in NCYC yacht races skippering Marta Jean. Prior to retirement and permanent abode in Newcastle Steve worked for a number of multinational manufacturing companies in Eastern Europe and Asia in mechanical engineering and management roles.

Mr Barry Kelly

Rear Commodore
Director since 2015

Barry is a qualified pilot having commenced his career with the RAAF flying Mirages and F18s. He went on to fly with Cathay Pacific Airways in Hong Kong retiring as a Senior Check Captain and Flying Training Manager. Barry owns and regularly races Archambault M34, Concealed Weapon, in NCYC club races and combined series.

Mr Phil Ashley-Brown

Director
Director since 2015

Phil is a Walkley Award winning journalist and national Quality Manager for ABC radio. Phil holds a Bachelor of Communications (Hons) from University of Newcastle and a Diploma of Management from Southern Cross University. Phil regularly races Flip his Laser at NCYC and crews on Beneteau 34.7, Summersalt.

Ms Valda Johnston

Vice Commodore / Treasurer
Director since 2016

Valda has an Accountancy background and worked for a number of years in her own Civil Works business and then as a Commercial Manager for Mining & Associated Infrastructure companies. Valda enjoys participating in Club racing, skippering her Hanse 370e yacht and is a regular crew member with the "Skirts" and "She Sails"

Mr Adrian Kiely

Club Captain
Director since 2016

Adrian holds a Bachelor of Arts and a Bachelor of Laws from The University of Sydney. A veteran of 7 Sydney Hobart races, he is a regular crew member on NCYC yacht "She's the Culprit" and enjoys racing a Laser in NCYC events.

Ms Jan Howard

Director
Director since 2017

Jan taught in secondary schools for 20 years, having obtained both a Bachelor of Arts and Diploma of Education. Jan also coordinated workplace training programs for students and ran a small business that provided relocation support to people moving to Newcastle. She is a yacht owner at NCYC, and has been instrumental in introducing strategies to encourage more women to participate in sailing at NCYC.

Mr Ken Semple

Director
Director since 2019

Ken is an Electrical and Computer Engineer and has worked in the mining, electricity and marine industries on design, construction and software projects. Ken has been boating all his life including yacht and dinghy racing and live aboard cruising on yachts and power cruisers. Ken arrived in Newcastle by boat after 5 years cruising with his wife aboard their motor cruiser. Ken races regularly at NCYC and on Lake Macquarie and often volunteers with the NCYC Race Committee.

Company secretary

Paul O'Rourke has been the Company Secretary of Newcastle Cruising Yacht Club Limited since 2017.

Director's meetings

The number of meetings the Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director is as follows:

Board members	Board meetings	
	A	B
Mr Steve Rae	12	11
Ms Valda Johnston	12	12
Mr Barry Kelly	12	11
Mr Adrian Kiely	12	10
Mr Phil Ashley-Brown	12	10
Ms Jan Howard	12	11
Mr Ken Semple	Appointed 17 December 2019	4
Mr Phil Arnall	Resigned 21 January 2020	10
		4

Where:

- column A: the number of meetings the Director was entitled to attend
- column B: the number of meetings the Director attended

Core and non-core property

Pursuant to Section 41E(5) of the Registered Clubs Act 1976 (NSW) for the financial year ended 31 March 2020, the following land and buildings are considered to be core or non-core property:

Core property	- The Clubhouse, Marina and Commercial Centre situated at 95 Hannell Street, Wickham NSW 2293
Non-Core property	- Nil

Principal activities

During the year, the principal activities of the Club were:

- The conduct of organised and recreational sailing activities for members;
- The operation of a 180 berth Marina in Newcastle Harbour;
- Promotion and maintaining a Commercial Centre in the Honeysuckle precinct;
- The operation of a licensed club.

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

Short and long-term objectives

The Club's short and long-term objectives are to:

Encourage and promote sports of amateur yachting and boating and cruising for pleasure underpinned by financial management, corporate governance, valuing our members, volunteers and employees and operating in a safe and responsible manner. These are in accordance with the principal objectives in the Club's constitution.

Strategy for achieving short and long-term objectives

During the year the principal activities of the Club consisted of:

To continue to operate profitably, providing the best possible facilities for members.

Performance measurement

The strategies are measured through both financial and non financial key performance indicators that have been developed relevant to the Club industry.

Contribution in winding up

The Club is incorporated under the Corporations Act 2001 and is a Company limited by guarantee and has the following classes of membership: full, crew, junior, life and social. If the Club is wound up, the constitution states that each member in all membership classes is required to contribute a maximum of \$2 each towards meeting any outstanding obligations of the Club. At the total amount that members of the Club are liable to contribute if the Club wound up is \$1,484 (2019: \$1,490).

Rounding of amounts

The Club is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with the instrument to the nearest dollar.

Review of Operations

The Board are pleased to announce that the 2019/20 financial year was very successful for NCYC

Weekly competitive sailing numbers continue to grow. This was in part due to our new Elliot 6 Fleet allowing inshore racing 3 nights per week. We were represented at major sailing events around the country including Airlie Beach Race Week, Hamilton Island Race week, Sydney to Gold Coast race, six boats in the Rolex Sydney to Hobart. The sailing Academy continues to grow its numbers. The Cruising, Social and Gamefishing clubs were all very active.

We had a very stable management and operations team which helped drive efficiencies. This was supported with increased investment in professional development.

The clubhouse had a change of caterers which help grow revenue for another record year. The clubhouse underwent a soft refurbishment which was well received by members.

There was a continued investment in our assets. The club fleet added a new offshore mark boat. The Offshore start boat received a major refurbishment. New offshore marker buoys were laid. We continued to do proactive maintenance on the clubhouse, commercial centre and marina.

The board is confident that these successes will continue into the future.

Significant changes in state of affairs

As a result of the spread of COVID-19 the Federal Government announced the closure of all Registered Clubs effective 23 March 2020 however since year end Clubs have been allowed to reopen from 1 June 2020 with restrictions in place. The Club has recommenced trading in June 2020.

Since year end there have been a range of measures introduced by the Government to support businesses and the Club is eligible as a result of the impact of the shutdowns announced due to the COVID-19 pandemic. Management in response has been actively negotiating with contractors and suppliers where possible to reduce operating costs during the shut down period. The Club anticipates a reduction in net profit will occur as result of these changes until such time that a return to normal operations is possible. The extent of the reduction in net profit will not impact existing cash reserves, with the financial position of the Club being monitored on an ongoing basis by management and the Board.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Club, the results of those operations, or the state of affairs of the Club in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6 and forms part of this Directors' report.

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



Steve Rae - Director



Valda Johnston - Director

Dated: 23 June 2020

Auditor's independence declaration

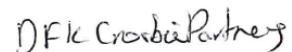
To the Directors of Newcastle Cruising Yacht Club Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Newcastle Cruising Yacht Club Limited for the year ended 31 March 2020, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements as set out in the section 307C of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



Shaun Mahony - Partner



DFK Crosbie Partners
Chartered Accountants

Dated: 23 June 2020
Newcastle West, NSW

Newcastle | Sydney

Liability limited by a scheme approved under the Professional Standards legislation.

Newcastle Cruising Yacht Club Limited

Statement of profit or loss and other comprehensive income

For the year ended 31 March 2020

	Notes	2020	2019
		\$	\$
Revenue from continuing operations	2	4,231,637	4,216,239
Other Income	3	70,498	70
Bar cost of goods sold		(439,604)	(386,762)
Bar direct expenses		(417,689)	(433,291)
Fuel cost of goods sold		(351,774)	(292,724)
Fuel direct expenses		(14,788)	(10,303)
Clubhouse expenses		(638,622)	(622,404)
Marina expenses		(411,458)	(454,869)
Commercial rental expenses		(236,974)	(311,712)
Club sailing expenses		(397,213)	(292,642)
Sailing academy expenses		(186,854)	(189,916)
Functions expenses		(49,886)	(180,094)
Borrowing cost expenses		(86,242)	(37,503)
Administrative expenses		(751,873)	(712,492)
Profit / (loss) before income tax		(3,982,977)	(3,924,712)
Income tax expense		319,158	291,597
Profit / (loss) for the year		319,158	291,597
Other comprehensive income		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income / (loss) for the year		319,158	291,597

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

Newcastle Cruising Yacht Club Limited
Statement of financial position
For the year ended 31 March 2020

	Notes	2020	2019
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	4	91,629	64,803
Trade receivables	5	240,782	212,236
Inventories	6	71,715	50,663
Other assets	7	57,030	91,198
Total current assets		461,156	418,900
Non-current assets			
Property, plant and equipment	8	6,234,897	6,536,521
Right-of-use asset	9 (a)	1,750,917	-
Total non-current assets		7,985,814	6,536,521
Total assets		8,446,970	6,955,421
LIABILITIES			
Current liabilities			
Trade and other payables	10	275,259	414,911
Financial liabilities	11	-	29,384
Provisions	12	93,621	77,820
Other liabilities	13	439,712	388,745
Lease liabilities	9 (b)	57,636	-
Total current liabilities		866,228	910,860
Non-current liabilities			
Financial liabilities	11	100,000	500,000
Provisions	12	16,082	15,753
Other liabilities	13	113,904	217,932
Lease liabilities	9 (b)	1,720,722	-
Total non-current liabilities		1,950,708	733,685
Total liabilities		2,816,936	1,644,545
Net assets		5,630,034	5,310,876
MEMBERS FUNDS			
Retained profits		5,630,034	5,310,876
Total members funds		5,630,034	5,310,876

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

Newcastle Cruising Yacht Club Limited

Statement of changes in equity

For the year ended 31 March 2020

	Retained Profits \$	Total \$
Balance at 1 April 2018	5,019,279	5,019,279
Profit for the year	291,597	291,597
Other comprehensive income	-	-
Total comprehensive income for the year	291,597	291,597
Balance at 31 March 2019	5,310,876	5,310,876
Profit for the year	319,158	319,158
Other comprehensive income	-	-
Total comprehensive income for the year	319,158	319,158
Balance at 31 March 2020	5,630,034	5,630,034

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

Statement of cash flows

For the year ended 31 March 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from members and customers		4,628,631	4,460,517
Payments to suppliers and employees		(3,885,758)	(3,675,665)
Interest received		56	70
Interest paid		(19,758)	(37,503)
Net cash inflow (outflow) from operating activities		<u>723,171</u>	<u>747,419</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(174,905)	(578,749)
Proceeds from sale of property, plant and equipment		30,047	-
Net cash inflow (outflow) from investing activities		<u>(144,858)</u>	<u>(578,749)</u>
Cash flows from financing activities			
Repayment of borrowings		(429,383)	(226,467)
Lease payments		(122,104)	-
Net cash inflow (outflow) from financing activities		<u>(551,487)</u>	<u>(226,467)</u>
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the financial year		26,826	(57,797)
Cash and cash equivalents at the end of the financial year		<u>64,803</u>	<u>122,600</u>
		<u>91,629</u>	<u>64,803</u>

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

Notes to the financial statements

For the year ended 31 March 2020

1 Summary of significant accounting policies

(a) Basis of preparation

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Newcastle Cruising Yacht Club Limited (the Club) is a not for profit entity for financial reporting purposes under Australian Accounting Standards.

(b) Statement of compliance

This financial report complies with Australian Accounting Standards - *Reduced Disclosure Requirements* as issued by the Australian Accounting Standards Board (AASB).

The financial report has been prepared on an accruals basis and is based on historical costs. The financial report is presented in Australian Dollars.

(c) New and amended standards adopted by the Club

The Club has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2019:

- AASB 15 *Revenue from Contracts with Customers*
- AASB 16 *Leases*
- AASB 2010-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current*

The principal accounting policies adopted are consistent with those of the previous financial year except for the policies stated below:

AASB 15 *Revenue from Contracts with Customers*

The Club has adopted AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' from 1 January 2019. AASB 15 establishes a comprehensive five-step framework for recognising revenue. AASB 15 applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. AASB 15 has replaced past revenue recognition guidance including AASB 18 Revenue, AASB 11 Construction Contracts and the related Interpretations.

Under AASB 15, revenue is recognised when a performance obligation has been satisfied at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer/member. The standard requires entities to exercise judgment, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers/members.

AASB 15 has been applied by the Club in accounting for and recognising revenue. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The new policies are set out in note 2.

The standard permits either a full retrospective or a modified retrospective approach for adoption. The Club employed the modified retrospective approach for adoption as at 1 April 2019.

The adoption has impacted the accounts as follows:

The Club concluded that AASB 15 required no change in the method of accounting for the sale of goods and the provision of services, other than recognition of function food income for which it was identified that there was no sales revenue to be recognised. The impact of not recognised revenue on function food income has resulted in a decrease in the current year of \$146,764 (with a corresponding decrease to function food expenses). If this was not adopted, clubhouse revenue would have been \$1,538,490. Sales are made at a point in time as the products and services are provided, with no contingent features to the price or volumes delivered. Sales for the provision of services are made at a point in time, with no contingent features to the price.

The application of AASB 15 has not had a significant impact on the financial position and/or financial performance of the Club.

AASB 16 *Leases*

The Club has adopted AASB 16 'Leases' from 1 April 2019. AASB 16 Leases ('AASB 16') removes the current operating and finance lease distinction for lessees and requires entities to recognise all material leases on the statement of financial position. AASB 16 requires the recognition of a right-of-use asset and a corresponding lease liability at the commencement of all leases, except for short-term leases and leases of low value assets.

The standard permits either a full retrospective or a modified retrospective approach for adoption. The Club has elected to apply the modified retrospective method of adoption from the date of initial application, which allows the Club to not restate comparative financial statement information.

Notes to the financial statements

For the year ended 31 March 2020

(c) New and amended standards adopted by the Club (continued)

The adoption has impacted the annual financial statement as follows:

As a result of the adoption of AASB 16, the Club has recognised right-of-use assets and lease liabilities with the following effects on the statement of financial position:

- The recognition of right-of-use assets of \$1,833,978;
- The recognition of lease liabilities of \$1,833,978.

AASB 2010-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current

The Club has adopted AASB 2010-1 'Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current' from 1 April 2019. AASB 2010-1 removes the requirement to classify a liability as current where there is not an unconditional right to defer settlement for a period of greater than 12 months, and requires any liability where the entity has the right to defer settlement at the end of the reporting period (e.g. by virtue of meeting any specified conditions such as loan covenants) to now be classified as non-current.

As a result of the adoption of AASB 2020-1, the Club has changed the classification of its bank loan under financial liabilities from current to non-current in the statement of financial position.

(d) Working capital deficiency

As at 31 March 2020, Newcastle Cruising Yacht Club Limited has a working capital deficiency of \$405,072

The working capital deficiency is impacted by the following key items:

- (a) unearned income in respect of marina rental and leases which is recognised as income over the period of each marina berth sublease and represents \$317,731 at 31 March 2020.
- (b) other unearned income and contract liabilities recognised for membership subscriptions and rental of \$90,427 at 31 March 2020 which will also not require any further direct cash outflow to settle the obligation.

The Directors believe the above working capital deficiency will be satisfied through:

- (a) Recent trading performance of the Club which achieved a profit of \$319,158 in the current year compared to a profit of \$291,597 in the prior year. Also, the club continues to generate positive operating cash flows showing a positive cash flow of \$723,171 in the current year.
- (b) The ability of the Club to draw on its term loan and overdraft facilities to satisfy creditors.
- (c) The changes within the Club including, the continuing expiry of the long term 15 year sub-leases, which are being replaced by rental agreements with improved cashflow, new tenants for the Commercial Centre and continuing growth in beverage, food and function activities which have contributed to an improved financial performance in the current year.

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

(e) Income Taxes

The Club is exempt from income tax under section 50-45 of the Income Tax Assessment Act 1997.

(f) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the 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.

(g) Rounding of amounts

The Club is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest dollar.

Newcastle Cruising Yacht Club Limited
Notes to the financial statements

For the year ended 31 March 2020

2 Revenue

(a) Disaggregation of revenue from contracts with customers

The Club derives revenue from the transfer of goods and services over time and at a point in time for the following services:

2020	Clubhouse Revenue	Fuel Revenue	Marina Revenue	Sailing Revenue	Tenant Rental Revenue	Other Revenue	Total
	\$	\$	\$	\$	\$	\$	\$
Revenue from contracts with customers	1,391,726	422,965	-	191,472	-	133,338	2,139,501
Other revenue (not covered by AASB15)	-	-	1,318,140	-	773,996	-	2,092,136
	1,391,726	422,965	1,318,140	191,472	773,996	133,338	4,231,637

Timing of revenue recognition

At a point in time	1,391,726	422,965	-	191,472	-	26,090	2,032,253
Over time	-	-	1,318,140	-	773,996	107,248	2,199,384
	1,391,726	422,965	1,318,140	191,472	773,996	133,338	4,231,637

2019	Clubhouse Revenue	Fuel Revenue	Marina Revenue	Sailing Revenue	Tenant Rental Revenue	Other Revenue	Total
	\$	\$	\$	\$	\$	\$	\$
Revenue from contracts with customers	1,441,706	343,391	-	168,552	728,680	164,439	2,846,768
Other revenue (not covered by AASB15)	-	-	1,369,471	-	-	-	1,369,471
	1,441,706	343,391	1,369,471	168,552	728,680	164,439	4,216,239

Timing of revenue recognition

At a point in time	1,441,706	343,391	-	168,552	-	57,627	2,011,276
Over time	-	-	1,369,471	-	728,680	106,812	2,204,963
	1,441,706	343,391	1,369,471	168,552	728,680	164,439	4,216,239

(b) Accounting policies and significant judgements

The Club recognises revenue related to the transfer of promised goods or services when a performance obligation is satisfied and when control of the goods or services passes to the customer. The amount of revenue recognised reflects the consideration to which the Club is or expects to be entitled in exchange for those goods or services.

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

(i) Sale of goods and provision of services - Clubhouse revenue

Clubhouse revenue comprises revenue from the sale of beverages and provision of function room hire and is recognised at a point in time when the physical control of the goods passes to the customer or when the relevant function event has been held.

Clubhouse revenue also includes commission revenue from the sale of food which is recognised at a point in time when bistro sales occur in line with the third party catering agreement entered.

(ii) Sale of goods - fuel revenue

Revenue from the sale of fuel is recognised at a point in time when the physical control of the goods passes to the customer.

Notes to the financial statements

For the year ended 31 March 2020

(c) Accounting policies and significant judgements (continued)

(iii) Provision of services - marina revenue

Marina revenue from short casual, monthly and long term marina bookings is recognised in the statement of profit or loss and other comprehensive income on a straight line basis over the term of the booking. Marina revenue from 15 year leased berths is recognised on a straight line basis over the term of the lease. The Club recognises marina revenue on a straight line basis with reference to the applicable CPI increases, discount rates and any relevant rental incentives. Marina revenue for monthly, long term and 15 year leases are deemed to be operating leases as the term of the lease is not a significant portion of the remaining term of the underlying lease payable as lessee. Monies received in advance from customers have been included as other liabilities within current and non current liabilities.

(iv) Provision of services - sailing revenue

Revenue from Regatta, Club sailing and sailing academy is recognised at a point in time when the relevant sailing event or sailing course has been held.

(v) Provision of services - tenant rental revenue

Tenant rental revenue is recognised in the statement of profit or loss and other comprehensive income on a straight line basis over the term of the lease. The Club recognises tenant rental revenue on a straight line basis with reference to the applicable CPI increases, discount rates and any relevant rental incentives. Tenant rental revenue is deemed to be an operating lease as the term of the lease is not a significant portion of the remaining term of the underlying lease payable as lessee. Monies received in advance from customers have been included as other liabilities within current and non current liabilities.

(vi) Provision of services - other revenue

Included within other revenue is membership subscriptions which are recognised over the term of membership and any unearned portion is deferred and included in contract liabilities. Membership revenue is measured with reference to the fee received and the period of membership that the member has paid for.

The balance of other revenue is recognised at a point in time when the performance obligation has been satisfied.

3 Other income and expense items	2020	2019
	\$	\$
(a) Other income		
Government stimulus payment	50,000	-
Interest Income	56	70
Gain on disposal of property, plant and equipment	<u>20,442</u>	-
	<u>70,498</u>	70

(i) Other income

The Club recognises stimulus funding from the Australian Taxation Office, when this accrues as there are no specific performance obligations in relation to this funding.

(ii) Gain on disposal of fixed assets

The Club recognises gains and losses on disposal of property, plant and equipment by comparing proceeds received on sale with the carrying amount of the asset being sold.

(iii) Interest income

Interest income is recognised on an accruals basis.

	2020	2019
	\$	\$
(b) Other expenses		
Employee benefits expense	1,267,790	1,199,100
Loss on disposal of Property, Plant and Equipment	15,488	100,097
Interest costs	86,242	37,503

Notes to the financial statements

For the year ended 31 March 2020

4 Cash and cash equivalents

Current

Cash and Cash Equivalents

	2020	2019
	\$	\$
Cash and Cash Equivalents	91,629	64,803
	<hr/>	<hr/>
	91,629	64,803

Accounting policy

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

5 Trade receivables

Current

Trade receivables
Less: Provision for Doubtful Debts

Trade receivables	250,782	212,236
Less: Provision for Doubtful Debts	(10,000)	-
	<hr/>	<hr/>
	240,782	212,236

Accounting policy

Trade receivables are recognised initially at the amount of the consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Club holds the trade receivables with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost. Trade receivables are generally due within 30 days from the date of recognition.

6 Inventories

Current

Stock on hand

Stock on hand	71,715	50,663
	<hr/>	<hr/>
	71,715	50,663

Accounting policy

Inventories are measured at the lower of cost and current replacement cost.

7 Other assets

Current

Prepayments

Prepayments	57,030	91,198
	<hr/>	<hr/>
	57,030	91,198

Accounting policy

This includes prepayments made in advance for goods and services which are to be received in a future period.

Notes to the financial statements

For the year ended 31 March 2020

8 Property, plant and equipment

	Leasehold Improvements	Plant and equipment	Marina	Club Boats	Capital WIP	Total
Non-current assets	\$	\$	\$	\$	\$	\$
At 1 April 2019						
Cost	6,770,752	571,560	5,333,887	350,001	280,633	13,306,833
Accumulated depreciation	2,701,894	342,098	3,562,605	163,715	-	6,770,312
Net book amount	4,068,858	229,462	1,771,282	186,286	280,633	6,536,521
Year ended 31 March 2020						
Opening net book amount	4,068,858	229,462	1,771,282	186,286	280,633	6,536,521
Additions	-	10,486	-	-	97,824	108,310
Transfer from WIP	-	25,684	-	341,845	(367,529)	-
Disposals	15,149	341	-	9,603	-	25,093
Depreciation charge	203,571	45,320	83,727	52,223	-	384,841
Closing net book amount	3,850,138	219,971	1,687,555	466,305	10,928	6,234,897
Year ended 31 March 2020						
Cost	6,735,041	595,413	5,333,887	598,484	10,928	13,273,753
Accumulated depreciation	2,884,903	375,442	3,646,332	132,179	-	7,038,856
Net book amount	3,850,138	219,971	1,687,555	466,305	10,928	6,234,897

Accounting policy**(a) Leasehold Improvements**

Leasehold improvements are carried at cost less any accumulated depreciation and any impairment in value.

(b) Plant and equipment, Marina, Club Boats

These are carried at cost less any accumulated depreciation and any impairment in value.

(c) Depreciation

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Leasehold improvements	5 - 40 years
Plant & Equipment	3 - 20 years
Marina	5 - 40 years
Club Boats	5 - 16 years

(d) Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit in which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the future economic benefits of an asset are not dependant on the asset's ability to generate net cash inflows and if deprived of the asset the Club would replace its remaining future economic benefit, value in use is determined as the depreciated replacement cost of the asset.

Impairment losses are recognised in the statement of profit or loss and other comprehensive income as a separate line item.

Notes to the financial statements

For the year ended 31 March 2020

9 Leases

2020	2019
\$	\$

The Club leases the land on which the Club is situated the waterway where the Marina is situated.

a) Right-of-use asset

Non-current

Right-of-use assets

1,750,917

Reconciliation of right-of-use assets

2020

At 1 April 2019

Additions

Disposals

Transfers

Amortisation

31 March 2020

Marina (Wet) Land (Dry)

Lease Lease

2020 \$ \$

620,137 1,213,841

1,833,978

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- -

- -

- -

(28,086) (54,975) (83,061)

592,051 1,158,866 1,750,917

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Reconciliation of lease liabilities

2020

At 1 April 2019

Additions

Interest expense

Lease payments

Net movement during year

31 March 2020

Marina (Wet) Land (Dry)

Lease Lease

2020 \$ \$

620,137 1,213,841

1,833,978

- -

- -

- -

22,481 44,003 66,484

(41,288) (80,816) (122,104)

601,330 1,177,028 1,778,358

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Notes to the financial statements

For the year ended 31 March 2020

9 Leases (continued)

The lease payment used in the calculation of the lease liabilities includes variable payments when they relate to an index or rate. Where leases contain variable lease payments based on an index or rate at a future point in time, the Club has only included the known CPI increases to date and not estimated future CPI-related increases.

The Club does not recognise leases that have a lease term of 12 months or less or are of low value as a right of use asset or lease liability. The lease payments associated with these leases are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

	Marina (Wet) Land (Dry)		2020	2019
	Lease	Lease		
Reconciliation of lease liabilities at 1 April 2019				
Operating lease commitment as at 1 April 2019	95,389	188,150	283,538	-
Less: GST included above	(8,672)	(17,105)	(25,776)	
Add: Option period now taken up	825,059	1,613,644	2,438,703	-
Gross lease liabilities as at 1 April 2019	911,776	1,784,689	2,696,465	-
Discounting	(291,639)	(570,848)	(862,487)	-
Lease liabilities as a result of the initial application of AASB 16	620,137	1,213,841	1,833,978	-

Lessor

Leases for which the Club is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

As lessor for operating leases, the Club recognises lease payments as income. The underlying asset is depreciated on a straight line basis over its expected useful life.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

10 Trade and other payables

	2020	2019
	\$	\$
Current		
Trade payables	124,894	276,391
Other payables and accruals	135,173	97,574
GST payable	15,192	40,946
	275,259	414,911

Accounting policy

Trade and other payables, including accruals, are recorded initially at fair value and subsequently at amortised cost. Trade and other payables are non-interest bearing. Trade accounts payable are normally settled within 30 days.

Notes to the financial statements

For the year ended 31 March 2020

11 Financial liabilities	2020	2019
	\$	\$
Current		
<i>Secured</i>		
Other loans (ii)	-	29,384
Total secured financial liabilities	<u>-</u>	<u>29,384</u>
Non-current		
<i>Secured</i>		
Bank loans (i)	100,000	500,000
Total secured financial liabilities	<u>100,000</u>	<u>500,000</u>

(i) *Secured liabilities*

The above Bank loan is secured by mortgages over the Club's leasehold buildings on land with NSW Roads and Maritime Service. The Club has a loan facility of \$1,000,000 of which \$100,000 was utilised at 31 March 2020

(ii) *Other secured liabilities*

The other loans are secured by a fixed charge over the specific assets that are financed.

Accounting policy

Financial liabilities are initially recognised at fair value, net of transaction costs incurred. Borrowing costs are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest rate method.

Financial liabilities are classified as non current liabilities if the Club has a right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period.

12 Provisions	2020	2019
	\$	\$
Current		
Employee entitlements (i) & (ii)		
	93,621	77,820
	<u>93,621</u>	<u>77,820</u>
Non-current		
Employee entitlements (ii)		
	16,082	15,753
	<u>16,082</u>	<u>15,753</u>

Accounting policy

(i) *Annual leave*

Liabilities for annual leave expected to be settled within 12 months of the reporting date, are recognised in the provision for employee benefits in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Any annual leave expected to be settled beyond 12 months of the reporting date is measured at the present value of expected future payments.

(ii) *Long service leave*

The liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage levels and period of service. Discount rates of the Australian bond rates matching the estimated future cash outflows have been used.

Newcastle Cruising Yacht Club Limited
Notes to the financial statements
For the year ended 31 March 2020

13 Other liabilities	2020	2019
	\$	\$
Current		
Contract liabilities - sailing revenue	9,713	-
Contract liabilities - clubhouse revenue	8,530	3,400
Contract liabilities - membership revenue	37,892	43,381
Other liabilities - Marina fees in advance	317,731	293,884
Other liabilities - Tenant rental in advance	52,535	46,484
Other liabilities	13,311	1,596
	<hr/>	<hr/>
	439,712	388,745
Non-current		
Other liabilities - Marina fees in advance	113,904	217,932
	<hr/>	<hr/>
	113,904	217,932

Accounting policy

Revenues received in advance are recorded as a contract liability if they are in relation to contracts with customers under AASB 15 and recognised as revenue when they are earned in future periods. Other revenue received in advance that is not covered by AASB 15 is recorded as other liabilities and is recognised as revenue when they are earned in future periods.

14 Contingent liabilities

At the date of this report, the Directors are not aware of any contingent liabilities.

15 Related parties

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

(a) <i>Key management personnel compensation</i>	2020	2019
	\$	\$
Total key management personnel benefits	274,782	268,007

(b) *Transactions with other related parties*

Adrian Kiely Legal, a company associated with Director Adrian Kiely, is a tenant under a standard commercial property lease agreement.

Director Jan Howard has a son who performs consulting work for the Club under normal supplier terms.

No remuneration has been paid to any Director in respect of their services as a Director during or since the end of the period.

Certain Directors and Director related persons utilise the marina and club facilities, participate in the Club Sailing activities and receive prizes under the same terms and conditions as other members.

Notes to the financial statements

For the year ended 31 March 2020

16 Critical accounting estimates and judgements

Management is required to make judgements, estimates and assumptions about reported amounts of assets, liabilities, income and expenses that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

Judgements made by management that have significant effects on the financial statements and estimates with a significant risk of material adjustment in the next period are disclosed where applicable, in the relevant notes to the financial statements:

- Estimation of useful lives of non-current assets (*notes 8, and 9*) - The useful life of property, plant and equipment and right-of-use assets (where useful life is greater than the lease term) is initially assessed at the date the asset is ready for use and reassessed at each reporting date based on the use of the assets and the period over which economic benefits will be derived from the asset. There is uncertainty in relation to the assessment of the life of the asset including factors such as the rate of wear and tear and technical obsolescence. The estimates and judgements involved may impact the carrying value of the non-current assets and the depreciation and amortisation charges recorded in the statement of profit or loss and other comprehensive income should they change.
- Provision for Doubtful Debts (*note 5*) - The collectability of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is established when there is objective evidence that the Club will not be able to collect all amounts due. Management uses its judgement in determining the level of doubtful debt provisioning, taking into account the historic analysis of bad debt trends and the prevailing economic conditions.
- Leases as a Lessor (*note 9*) - The distinction between an operating lease and a finance lease in regards to sublease agreements issued as a lessor has been considered, and based upon the relative length of the sub leases entered in comparison to the head lease agreements entered it has been determined that all sub leases are to be classified as operating leases. As a result of this judgement, no receivable for future lease payments, nor any reduction in the right-of-use assets for the head lease has been recognised. The Club will continue to review the length of these agreements and as a result the judgement whether the agreement constitutes an operating or finance lease.

Directors' declaration

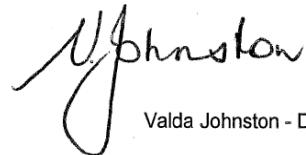
In the Directors' opinion:

- the financial statements and notes set out on pages 7 to 21 are in accordance with the section 307C of the Corporations Act 2001, including:
- (a) (i) complying with Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Club's financial position as at 31 March 2020 and of its performance for the financial year ended on that date, and
 - (b) there are reasonable grounds to believe that the Club will be able to pay its debts as and when they become due and payable.

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



Steve Rae - Director



Valda Johnston - Director

Newcastle West, NSW
23 June 2020

Independent auditor's report to the members of Newcastle Cruising Yacht Club Limited

Opinion

We have audited the financial report of Newcastle Cruising Yacht Club Limited (the Club) which comprises the statement of financial position as at 31 March 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, 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 Club is in accordance with the Corporations Act 2001 including:

- (i) giving a true and fair view of the Clubs financial position as at 31 March 2020 and of its financial performance for the year then ended; and
- (ii) complying with Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

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

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

Responsibilities of the Directors for the financial report

The Directors of the Club 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 Club'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 Club or to cease operations, or have no realistic alternative but to do so.

Matters relating to the electronic presentation of the audited financial report

The auditor's report relates to the financial report of the Club for the year ended 31 March 2020 included on the Club's web site. The Club's Directors are responsible for the integrity of the Club's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

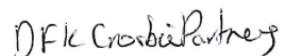
Auditor's responsibilities for the audit of the financial report

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our audit report.



Shaun Mahony - Partner



DFK Crosbie Partners
Chartered Accountants

23 June 2020
Newcastle West, NSW

Newcastle | Sydney

Liability limited by a scheme approved under the Professional Standards legislation.

