ITEM NUMBER: 9.3

CONFIDENTIAL REPORT

LOAN RECEIVABLES

Pursuant to Section 87(10) of the Local Government Act 1999 the Report attached to this agenda and the accompanying documentation is delivered to the Audit Committee Members upon the basis that the Audit Committee consider the Report and the documents in confidence under Part 3 of the Act, specifically on the basis that Audit Committee will receive, discuss or consider:

d. **commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and would, on balance, be contrary to the public interest.**

Recommendation – Exclusion of the Public – Section 90(3)(d) Order

1 **That pursuant to Section 90(2) of the *Local Government Act 1999* Audit Committee hereby orders that the public be excluded from attendance at this meeting with the exception of the Staff in attendance at the meeting in order to consider Report No: 345/22 Loan Receivables in confidence.**

2. **That in accordance with Section 90(3) of the *Local Government Act 1999* the Audit Committee is satisfied that it is necessary that the public be excluded to consider the information contained in Report No: 345/22 Loan Receivables on the following grounds:**

   d. **pursuant to Section 90(3)(d) of the Act, the information to be received, discussed or considered in relation to this Agenda Item is commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, as this would prejudice the commercial position who supplied the information.**

   In addition, the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in the continued non-disclosure of the information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information.

3. **The Audit Committee is satisfied, the principle that the meeting be conducted in a place open to the public, has been outweighed by the need to keep the information or discussion confidential.**

Item No: 9.3

Subject: **LOAN RECEIVABLES**

Date: 17 August 2022

Written By: Manager Financial Services

General Manager: Strategy and Corporate, Ms P Jackson

SUMMARY

In order to complete the financial statements for the year ended 30 June 2022 an assessment is required of community loans that are owed to Council and whether there is any objective evidence that they will not be fully repaid. This assessment has been done and it is presented to the Audit Committee for review.

RECOMMENDATION

That the Audit Committee advises Council that:

1. it has received and considered an assessment of community loans receivable as at 30 June 2022;

2. the current impairment amount of $517,780 be maintained for impairment of community loans receivable as at 30 June 2022;

3. in accordance with Accounting Standards the impairment amount be reviewed and updated annually; and

<u>RETAIN IN CONFIDENCE - Section 91(7) Order</u>

4.. that having considered Agenda Item 9.3 Loan Receivables (Report No: 345/22) in confidence under Section 90(2) and (3)(d) of the *Local Government Act 1999*, the Audit Committee, pursuant to Section 91(7) of that Act orders that the report, attachment and minutes, be retained in confidence for a period of six months and the Chief Executive Officer is authorised to release the documents when the Audited Financial Statements are presented to Council.

STRATEGIC PLAN

Statutory requirement

COUNCIL POLICY

Not applicable

STATUTORY PROVISIONS

Local Government Act 1999
Local Government (Financial Management) Regulations 2011

BACKGROUND

The 2021/22 financial statements will include amounts for loans receivable from community clubs. These will include current receivables and gross financial assets and will total $1,630,596.

During 2021/22 repayments were made totaling $238,979 which included $200,000 SANFL land divestment fund payment for the Glenelg Football Club loan and a one-off additional $20,000 repayment for the Somerton Bowling Club loan. With the exception of the Glenelg Football Club, all remaining community club loans are being repaid in accordance with their respective repayment schedules.

As at 30 June 2022 the Glenelg Football Club owed Council $1,463,256. The background and details of the Glenelg Football Club loans are discussed as part of this report.

In order to finalise the financial statements an annual assessment is required as to whether the loans receivable amount will be realised.

REPORT

Background - Glenelg Football Club Loans

In order to provide a complete background into the financial arrangements with the Glenelg Football Club the following key dates and actions have been documented as below.

In 2001 Council entered into a loan agreement with the Glenelg Football Club under which the Club borrowed $2.5 million from Council to fund its building redevelopment and upgrade program. Council funded the loan by borrowing from the Local Government Finance Authority (LGFA) and on-lending to the Club on identical terms (i.e. a 'back-to-back' loan).

The Club had met its principal and interest payments up to October 2012 at which point the Club approached Council to restructure its loans including a 2-year interest-only term, to which Council agreed. In 2016, Council re-affirmed its commitment to support the Club in its objective of long-term sustainability and agreed to an arrangement, which involved the Club, SANFL and ANZ, to reach an outcome that would result in the repayment of the debt over time (Resolution

C131216/622). The Council has re-affirmed this arrangement in subsequent Council decisions in 2017 and 2019 (Resolutions C230517/787 and C221019/1658).

Previously granted Council Financial Concessions Granted to the Glenelg Football Club

Council has granted and agreed to a number of concessions and arrangements with the Club. These have included interest only loan repayments from December 2012 and further concessions from 2016/17 as follows:

- Reduction in annual lease from $72,000 to $40,000 (including GST) up to 31 October 2022 (C121316/622 and C221019/1658);
- Acceptance of SANFL dividend sharing scheme as per a SANFL timetable (C230517/787) – resulting in a principal reduction of $1,274,666 over a 7 year period originally concluding October 2022;
- Write off of past interest owed and future interest up to 31 October 2019 on loans advanced to the Club (C230517/787);
- Not charge interest on existing borrowings from October 2019 to October 2022 (C221019/1658);
- Review the ability of the Club to pay remainder of loan outstanding after the final SANFL dividend instalment (C230517/787 and C221019/1658); and
- On 14 December 2021 Council endorsed a motion to affirm its commitment to the long term sustainability of the Glenelg Football Club and not charge interest on existing borrowings up to 31 October 2023. It also resolved that the annual lease be maintained at $40,000 up to 31 October 2023 and that these arrangements be reviewed at least six months prior to 31 October 2023. (Min C141221/2502).

The write-off of outstanding interest resulted in a direct saving of $188,685 to the Club in 2016/17. The freezing of interest repayments and other concessions have also directly contributed to the Club's financial stability.

Glenelg Football Club – 2021/22 Loan Receivable Assessment

The amounts owed by the Glenelg Football Club are recorded in the financial statements of Council as a current receivable and a financial asset. As at 30 June 2022 the total amount recorded as owing from the Club is $1,463,256 with an impairment provision of $517,780.

Glenelg Football Club Financial Results – year ended 31 October 2021.

The consolidated financial results for the Glenelg Football Club for the year ended 31 October 2021 have been audited and are attached. They have been assessed using common financial performance ratio analysis. The results are summarised as follows:

Refer Attachment 1

Liquidity Ratio

Current Ratio = current assets/current liabilities. If the ratio is 1 it means the club has the exact amount of current assets to pay of its current debts.

Consolidated result	***Period ended***	
	31/10/21	***31/10/20***
Current Assets	$1,247,435	$1,297,231
Current Liabilities	$1,236,424	$1,787,121
Current Ratio	**1.01**	**0.73**

Solvency Ratios

Long term debt to total capital. Equates to long term debt divided by total liabilities and total members funds. Lower percentages means the majority of the club is financed by member funds.

Consolidated result	***Period ended***	
	31/10/21	***31/10/20***
Long term debt	$1,644,887	$1,616,448
Total liabilities plus member funds	$7,257,105	$6,851,456
Percentage	**23%**	**24%**

Debt to Equity Ratio. Equates to total long term liabilities divided by total member's funds. Lower ratios indicate stronger debt management.

Consolidated result	***Period ended***	
	31/10/21	***31/10/20***
Long term liabilities	$1,836,267	$1,616,448
Member funds	$4,184,414	$3,447,519
Ratio	**0.44**	**0.47**

Profitability Ratios

Profit margin. Measured by net income divided by total revenues.

Consolidated result	***Period ended***	
	31/10/21	***31/10/20***
Net income	$736,895	$404,574
Total revenues	$5,789,200	$4,588,993
Percentage	**13%**	**8.8%**

The following comments are provided in relation to its financial performance and projections:

- The net profit increased by $332,321.
- Income increases occurred in SANFL distributions $208,449, Venue income including bar and kitchen $595,198, offset by reduction in COVID support $968,436.
- Improved net assets position $736,895.
- Reduced cash position by $43,568 to $996,477.

Financial forecast and assumptions

The COVID-19 pandemic continues to have an impact on the welfare of society and economic conditions. COVID relief measures including job-keeper has assisted in ensuring the Glenelg Football Club has remained sustainable. Given these outcomes the Club has met the SANFL requirement of a consolidated operating result before depreciation of $100,000 for 2020/21. The Club continues to meet with the Council working party to ensure the Club's long term sustainability.

The forecast and sustainability assumptions for 2021/22 are largely unchanged from prior years and are as follows:

- The Club will be in existence for at least the next 15 years in order to receive the SANFL Land Divestment proceeds and make loan repayments on existing loans.

- Proceeds from the SANFL Land Divestment Fund will be applied to repaying Council debt in accordance with the Deed of Priority and agreed SANFL arrangements.

- All existing loans with the Club are due for review in 2023/24 with the intention to be refinanced over ten years at the current LGFA CAD variable interest rate (currently 3.3%).

- The Club will commence principal and interest repayments on remaining loans after all the SANFL proceeds have been distributed and applied.

- No additional loans will be advanced to the Club from Council to maintain the Club's financial viability noting that while the Council is committed to supporting the Club it has not yet determined its future lending strategy to the Club.

The Club has provided a three year budget forecast summarised in the following table;

	2021/22	**2022/23**	**2023/24**
Football Club Operating Result – (deficit)	($318,074)	($343,851)	($368,560)
Glenelg Club – Venue- Surplus	$426,183	$389,074	$351,038
Consolidated Result	**$108,109**	**$45,223**	**($17,522)**
Cash Position – Consolidated	$108,109	$35,223	($37,522)

It should be noted that the budget forecasts have taken into consideration the impact of COVID -19 on the sporting and hospitality sector. The estimates are therefore conservative. All SANFL grants and player payments have been estimated at the current level. The forecast has not allowed for any repayment of interest on loans and that the current lease amount remain at $40,000 (including GST) per annum. The forecast indicates reducing profits and cash positon.

SANFL – Land Divestment Payments to Council

The SANFL resumed paying the Land Divestment instalments to Council to reduce debt in 2021/22. It is expected that the remaining payments will be received as follows:

Payment Date	Amount	2/3 Council Share
October 2022	$350,000	$233,334
October 2023	$300,000	$200,000
Total	**$650,000**	**$433,334**

Glenelg Football Club - Loan Amount Owed

The amount owed by the Glenelg Football Club is recorded in the financial statements of Council as a financial asset. As at 30 June 2022 the total amount recorded as owing from the Club is $1,463,256. After the final tranche is received the principal amount owing from the Club is forecast to be $1,029,922 as at 30 June 2024.

Loan Receivables – Accounting Standard Requirements

Council's general purposes financial statements are prepared in accordance with Australian Accounting Standards (AAS). Australian Accounting Standards Board (AASB) 139 – Financial Instruments: Recognition and Measurement, paragraphs 58 to 70, covers the topics of impairment of financial assets including loan receivables. Impairment means the carrying amount of the asset is more than the amount that is expected to be recovered. Providing for impairment does not mean a write-off or debt waiver has occurred as it is a provision only and will continue to be reviewed by Council.

The standard requires an assessment at the end of each reporting period as to whether there is an objective evidence that a financial asset is impaired. The amount is therefore reviewed annually in conjunction with preparing the general purpose financial statements. AASB 139 para. 59 states that a financial asset is impaired only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset.

As part of the finalisation of the 2015/16 financial statements the Audit Committee reviewed the loan receivable amount for the Glenelg Football Club. The committee noted that at that time two main events had occurred that met the requirements of the accounting standard. These were evidence of significant financial difficulty and the granting of financial concessions at the request of the Club. After considering a number of assumptions the amount impaired at that time was $400,000.

The impairment amount was reviewed for the 2016/17 financial statements by the Audit Committee (report AC290/17) noting that Council's financial commitments and strategies had supported the long term financial viability of the Club. The report included an updated present value model based on revised assumptions using an original effective interest rate of 6.66%. The amount of impairment was increased by $117,780 to $517,780.

Annual reviews have been conducted and since 2017/18 the impairment amounts have been maintained at $517,780 (reports AC298/18; AC325/19; AC346/20; AC269/21).

Impairment calculation and effective interest rate

The impairment amount is calculated by comparing the difference between the carrying amount of the loans, and the present value of estimated future cash flows discounted at the loan's original effective interest rate. The original effective rate is what would have been calculated at initial recognition. This has been determined as 6.66%.

Present Value Cash Flow Model

AASB 136 para. 33 explains the basis for estimating future cash flows. In measuring projections reasonable and supportive assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset need to be made.

A present value model has been prepared based on the updated assumptions listed above using the original effective interest rate of 6.66%. The assumptions represent management's best estimate of the future economic conditions including Land Divestment payment timings. These assumptions will be reassessed when loan repayment negotiations occur in the future.

Using this model the impairment provision is calculated at $327,049 being an effective reduction of $190,731, on the current impairment provision of $517,780. However given the club's financial performance and conservative budget forecasts it is considered prudent to maintain the current impairment provision at $517,780. The provision amount and assumptions will continue to be annually assessed.

BUDGET

This report is recommending that the provision for impairment be maintained at $517,780. This will not affect the 2021/22 operating result or the provision for impairment in the Statement of Financial Position.

LIFE CYCLE COSTS

While there are no direct life cycle costs an annual assessment of impairment of loans receivable is required under Australian Accounting Standards.

Attachment 1

Glenelg Football Club Inc and Controlled Entities

ABN 94 586 591 723

Financial Statements

For the Year Ended 31 October 2021

Glenelg Football Club Inc and Controlled Entities

ABN 94 586 591 723

Contents

For the Year Ended 31 October 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 October 2021

	Note	2021 $	2020 $
Income			
Football income	4	**1,031,853**	379,631
Net venue income	4	**1,428,903**	833,705
Net membership income		**142,559**	152,624
Net sponsorship income		**399,264**	296,410
Net fundraising & coterie groups income		**14,752**	40,079
Net merchandise sales		**98,527**	29,504
Net outdoor sales		**20,786**	67,462
Net gaming revenue	4	**1,890,075**	1,272,980
Grants and donations		**17,787**	35,212
Other income	4	**744,694**	1,481,386
		5,789,200	4,588,993
Expenditure			
Depreciation expense		**293,496**	234,147
Finance costs		**10,423**	35,526
Employee benefits expense		**1,276,620**	876,928
Senior and junior football		**1,237,188**	545,313
Gaming expenses		**801,606**	515,312
Bar expenses		**28,255**	25,500
Kitchen expenses		**67,259**	44,930
Sales reduction		**123,598**	87,027
Occupancy expenses		**250,585**	228,866
Function expenses		**24,044**	13,131
Office and administration expenses		**939,231**	1,519,163
Impairment of gaming machine entitlements		**-**	58,576
		5,052,305	4,184,419
Income tax expense		**-**	-
Profit after income tax		**736,895**	404,574

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As At 31 October 2021

	Note	2021 $	2020 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**996,477**	1,040,015
Trade and other receivables		**110,756**	161,558
Inventories		**123,862**	79,336
Prepayments and other receivables		**16,340**	16,690
TOTAL CURRENT ASSETS		**1,247,435**	1,297,599
NON-CURRENT ASSETS			
Plant and equipment	6	**5,265,588**	5,202,933
Right-of-use assets	8	**204,082**	-
Intangible assets	7	**540,000**	350,924
TOTAL NON-CURRENT ASSETS		**6,009,670**	5,553,857
TOTAL ASSETS		**7,257,105**	6,851,456
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	**502,516**	555,270
Lease liabilities		**28,804**	-
Borrowings	10	**437,703**	829,422
Employee benefits	11	**152,401**	102,797
Income received in advance		**115,000**	300,000
TOTAL CURRENT LIABILITIES		**1,236,424**	1,787,489
NON-CURRENT LIABILITIES			
Lease liabilities		**191,380**	-
Borrowings	10	**1,644,887**	1,616,448
TOTAL NON-CURRENT LIABILITIES		**1,836,267**	1,616,448
TOTAL LIABILITIES		**3,072,691**	3,403,937
NET ASSETS		**4,184,414**	3,447,519
MEMBERS' FUNDS			
Asset revaluation reserve		**2,930,000**	2,930,000
Other reserves		**54,552**	54,552
Accumulated funds		**1,199,862**	462,967
TOTAL MEMBERS' FUNDS		**4,184,414**	3,447,519

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 October 2021

2021

	Note	Retained Earnings $	Ossie Amies Trust Fund $	Stan Wickham Memorial Trust Fund $	Asset Revaluation Reserve $	Total $
Balance at 1 November 2020 restated	3	**462,967**	**51,013**	**3,539**	**2,930,000**	**3,447,519**
Profit for the year		**736,895**	**-**	**-**	**-**	**736,895**
Balance at 31 October 2021		**1,199,862**	**51,013**	**3,539**	**2,930,000**	**4,184,414**

2020

	Note	Retained Earnings $	Ossie Amies Trust Fund $	Stan Wickham Memorial Trust Fund $	Asset Revaluation Reserve $	Total $
Balance at 1 November 2019		998,893	51,013	3,539	2,930,000	3,983,445
Prior period adjustment	3	(940,500)	-	-	-	(940,500)
Balance at 1 November 2019 restated		58,393	51,013	3,539	2,930,000	3,042,945
Profit for the year (restated)		404,574	-	-	-	404,574
Balance at 31 October 2020		462,967	51,013	3,539	2,930,000	3,447,519

Glenelg Football Club Inc and Controlled Entities

ABN 94 586 591 723

Consolidated Statement of Cash Flows

For the Year Ended 31 October 2021

	Note	2021 $	2020 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from football and sponsorship		**1,389,229**	894,553
Receipts from fundraising and merchandise		**124,607**	115,220
Receipts from government		**393,549**	1,457,217
Receipts from customers		**4,103,187**	2,519,595
Proceeds from funding held on behalf of council		**-**	300,000
Payments to suppliers and employees		**(5,336,779)**	(4,130,513)
Finance costs		**(31,028)**	(35,526)
Net cash provided by operating activities	15	**642,765**	1,120,546
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of plant and equipment		**35,000**	-
Purchase of property, plant and equipment		**(321,663)**	(81,814)
Net cash (used in) investing activities		**(286,663)**	(81,814)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from asset financing		**-**	56,529
Proceeds from borrowings		**150,000**	-
Repayment of borrowings		**(428,207)**	(100,000)
Repayment of asset financing		**(85,073)**	(89,900)
Payment of lease liabilities		**(36,360)**	-
Net cash (used in) financing activities		**(399,640)**	(133,371)
Net increase/(decrease) in cash and cash equivalents held		**(43,538)**	905,361
Cash and cash equivalents at beginning of year		**1,040,015**	134,654
Cash and cash equivalents at end of financial year	5	**996,477**	1,040,015

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 October 2021

The financial statements cover Glenelg Football Club Inc and Controlled Entities as an individual entity. Glenelg Football Club Inc and Controlled Entities is a not-for-profit Group incorporated in South Australia under the *Associations Incorporation Act (SA) 1985* ('the Act').

The functional and presentation currency of Glenelg Football Club Inc and Controlled Entities is Australian dollars.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

In the opinion of the Board, the Group is not a reporting entity since there are unlikely to exist users of the financial statements who are not able to command the preparation of reports tailored so as to satisfy specifically all of their information needs. These special purpose financial statements have been prepared to meet the reporting requirements of the Associations Incorporation Act (SA) 1985

The financial statements have been prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards and Accounting Interpretations, and the disclosure requirements of AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies*, *Changes in Accounting Estimates and Errors* and AASB 1054 *Australian Additional Disclosures*.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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

2 Summary of Significant Accounting Policies

(a) Basis for consolidation

The financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 12 to the financial statements.

(b) Revenue and other income

Revenue from contracts with customers

Revenue is measured at the fair value of consideration received or receivable after taking into account any trade discounts and volume rebates allowed. For this purpose, deferred consideration is not discounted to present values when recognising revenue.

Revenue from the sale of goods or provision of services is recognised upon delivery of the goods or services to the customer. Amounts disclosed as revenue are net of returns, discounts and GST.

2 Summary of Significant Accounting Policies (continued)

(b) Revenue and other income (continued)

Revenue from contracts with customers (continued)

When the Group receives operating grant revenue, donations or bequests, it assesses whether the contract is enforceable and has sufficiently specific performance obligations in accordance with AASB 15.

When both these conditions are satisfied, the group:

- identifies each performance obligation relating to the grant - recognises a contract liability for its obligations under the agreement;

- recognises revenue as it satisfies its performance obligations.

Where the contract is not enforceable or does not have sufficiently specific performance obligations, the association:

- recognises the asset received in accordance with the recognition requirements of other applicable accounting standards (eg, AASB 9 , AASB 16 , AASB 116 and AASB 138);

- recognises related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer); and

- recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

If a contract liability is recognised as a related amount above, the association recognises income in profit or loss when or as it satisfies its obligations under the contract.

(c) 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 consolidated statement of cash flows are included on a gross 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.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

2 Summary of Significant Accounting Policies (continued)

(e) 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.

Items of property, plant and equipment acquired for significantly less than fair value have been recorded at the acquisition date fair value.

Depreciation

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

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

(f) Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

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.

Classification

On initial recognition, the Group classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL
- fair value through other comprehensive income - equity instrument (FVOCI - equity)
- fair value through other comprehensive income - debt investments (FVOCI - debt)

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

2 Summary of Significant Accounting Policies (continued)

(f) Financial instruments (continued)

Financial assets (continued)

Amortised cost

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated 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.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Group uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

2 Summary of Significant Accounting Policies (continued)

(f) Financial instruments (continued)

Financial assets (continued)

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Group 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 financial liabilities of the Group comprise trade payables, bank and other loans and lease liabilities.

(g) Intangible assets

Gaming machine entitlements

Gaming machine entitlements have been brought to account at their market value. The members of the Board have determined this value with reference to the "Gaming Machine Entitlements Trading System" as set out in the Gaming Machine Regulations 2005.

(h) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(i) Leases

At inception of a contract, the Group assesses whether a lease exists.

At the lease commencement, the Group recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Group believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Group's incremental borrowing rate is used.

2 Summary of Significant Accounting Policies (continued)

(i) Leases (continued)

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Group's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions to lease accounting

The Group has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Group recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

(j) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee provisions have been measured at the amounts expected to be paid when the liability is settled.

Notes to the Financial Statements

For the Year Ended 31 October 2021

3 Change in accounting policy

The financial report has been prepared on the basis of a retrospective application of a change in accounting policy as described below:

a) Valuation of gaming machine entitlements

Previously, the gaming machine entitlements were carried at directors' valuation using a valuation model incorporating the cash flows received from gaming operations and a discount rate observed from market-based evidence. The directors believe that there exists an active market for gaming machine entitlements. Therefore, the fair market value of the asset can be measured by reference to the "Gaming Machine Entitlement Trading System" as set out in the Gaming Machine Regulations 2005. Refer to Note 7 for more details. The change in the valuation of gaming machine entitlements has been applied retrospectively.

b) Depreciation on leasehold improvements

Leasehold improvement assets include clubrooms, function centre buildings and redevelopments. These assets are carried at fair value based on periodic valuations by the directors. Previously, no depreciation or amortisation is charged to this asset class. The directors have elected to change the accounting policy for leasehold improvements and start to charge depreciation and amortisation commencing the financial year beginning 1 November 2019.

The aggregate effect of the change in accounting policy on the annual financial statements for the year ended 31 October 2021 is as follows:

		31 October 2020			1 November 2019	
	Previously stated	Adjustments	Restated	Previously stated	Adjustments	Restated
	$	$	$	$	$	$
Consolidated Statement of Profit or Loss and Other Comprehensive Income						
Depreciation expense	141,408	92,739	234,147	-	-	-
Impairment of gaming machine entitlements	-	58,576	58,576	-	-	-
Consolidated Statement of Financial Position						
Retained earnings	-	-	-	998,893	(940,500)	58,393
Property, plant and equipment	5,295,672	(92,739)	5,202,933	-	-	-
Intangible assets	1,350,000	(999,076)	350,924	1,350,000	(940,500)	409,500

Notes to the Financial Statements

For the Year Ended 31 October 2021

4 Revenue and Other Income

Football income

	2021 $	2020 $
SANFL Distributions	**515,170**	306,721
SANFL land divestment	**300,000**	-
Senior football	**146,110**	31,608
Junior football	**70,573**	41,302
	1,031,853	379,631

Venue income

	2021 $	2020 $
Bar sales	**1,143,473**	621,159
Cost of sales	**(390,904)**	(250,342)
	752,569	370,817
Kitchen sales	**1,024,080**	712,251
Cost of sales	**(347,746)**	(249,363)
	676,334	462,888
Total	**1,428,903**	833,705

Net gaming revenue

	2021	2020
Turnover on gaming machines ($)	**22,744,819**	15,255,424
Less: 'Wins' returned to players ($)	**(20,665,737)**	(13,855,146)
Net receipts ($)	**2,079,082**	1,400,278
Net receipts excluding GST ($)	**1,890,075**	1,272,980
Net receipts (%)	**9.14**	9.18
Number of gaming machines	**36**	36
Gaming tax paid	**610,951**	377,067
Gaming tax % of net receipts	**29.39**	26.93

Other income

	2021	2020
COVID19 Cashflow boost	**-**	200,000
COVID19 Jobkeeper	**305,307**	1,073,743
COVID19 State government support	**6,000**	51,000
Bingo and Keno income	**5,383**	2,834
Functions hire income	**8,737**	2,939
Gain on disposal of plant and equipment	**35,000**	-
Forgiveness of interest on Council loan	**-**	8,000
Rental income	**113,683**	113,792
Other income	**81,508**	29,078
Gain on gaming machine entitlement revaluation	**189,076**	-
	744,694	1,481,386

Notes to the Financial Statements

For the Year Ended 31 October 2021

5 Cash and Cash Equivalents

	2021	2020
	$	$
Cash on hand	**89,770**	44,410
Bank balances	**906,707**	995,605
	996,477	1,040,015

6 Property, plant and equipment

	2021	2020
Plant and equipment		
At cost	**2,316,407**	2,486,272
Accumulated depreciation	**(1,522,999)**	(1,837,198)
Total plant and equipment	**793,408**	649,074
Motor vehicles		
At cost	**62,880**	62,880
Accumulated depreciation	**(55,642)**	(53,230)
Total motor vehicles	**7,238**	9,650
Leasehold Improvements		
At fair value	**4,651,087**	4,636,948
Accumulated depreciation	**(186,145)**	(92,739)
Total leasehold improvements	**4,464,942**	4,544,209
Total property, plant and equipment	**5,265,588**	5,202,933

7 Intangible Assets

	2021	2020
Gaming machine entitlements at fair value	**540,000**	350,924

Gaming machine entitlements have been brought to account at the market value. The members of the Board have determined this value with reference to the "Gaming Machine Entitlement Trading System" as set out in the Gaming Machine Regulations 2005.

Each entitlement is valued at $20,000, however in accordance with the Gaming Machines (Miscellaneous) Amendment Act 2004 which states that 25% of entitlements will be withheld if sold, the Board has valued each entitlement at $15,000.

8 Leases

Group as a lessee

The Group leases land and buildings from the City of Holdfast Bay as their principal place of business.

Right-of-use assets

	Land and buildings	Total
	$	$
Year ended 31 October 2021		
Additions to right-of-use assets	**238,570**	**238,570**
Depreciation charge	**(34,488)**	**(34,488)**
Balance at end of year	**204,082**	**204,082**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

The amounts recognised in the consolidated statement of profit or loss and other comprehensive income relating to interest expense on lease liabilities and short-term leases or leases of low value assets are shown below:

	2021	2020
	$	$
Interest expense on lease liabilities	**9,395**	-

9 Trade and Other Payables

CURRENT		
Trade payables	**343,813**	214,439
Sundry creditors and accruals	**154,649**	336,811
Other payables	**4,054**	4,020
	502,516	555,270

Notes to the Financial Statements

For the Year Ended 31 October 2021

10 Borrowings

	2021	2020
	$	$
CURRENT		
Secured liabilities:		
ANZ bank bills	-	500,000
ANZ business loan	116,667	44,333
Asset finance liabilities	38,285	85,089
City of Holdfast Bay Council debenture loans	233,333	200,000
SANFL loan	49,418	-
Total current borrowings	**437,703**	829,422
NON-CURRENT		
Unsecured liabilities:		
Samlar Pty Ltd loan	-	100,000
	-	100,000
Secured liabilities:		
ANZ business loan	327,666	-
SANFL loan	72,375	-
Asset finance liabilities	14,923	53,192
City of Holdfast Bay Council debenture loans	1,229,923	1,463,256
Total non-current borrowings	**1,644,887**	1,616,448
Total borrowings	**2,082,590**	2,445,870

The Group has borrowing facilities with the ANZ Banking Group, which includes a Business loan of $444,333 and Overdraft Facility with a limit of $160,000.These facilities will expire on 30 November 2023

All borrowings are secured by cross guarantee between the Glenelg Football Club Trust and Glenelg Football Club Inc, over all present and after-acquired property.

The ANZ Business Loan and the principal amount payable to the City of Holdfast Bay will reduce by $116,667 and $233,333 respectively next financial year as part of the 2021 distribution of SANFL Land Divestment Funds. The two parties also have an agreement with the Group which will see the remaining SANFL Land Divestment Funds to October 2023 used directly to repay the debt.

The City of Holdfast Bay Council have confirmed that the remaining principal balance of the debenture loans will not be called upon within the next 12 months from the date signing these financial statements and therefore these are classified as non-current liabilities

Notes to the Financial Statements

For the Year Ended 31 October 2021

11 Employee Benefits

	2021	2020
	$	$
Current liabilities		
Long service leave	**65,887**	56,775
Annual leave	**86,514**	46,022
	152,401	102,797

12 Interests in Subsidiaries

(a) Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2021	Percentage Owned (%)* 2020
Subsidiaries:			
Glenelg Football Club Trust	Australia	**-**	-
Glenelg Footballers Club Inc.	Australia	**100**	100

The Glenelg Football Club Trust was created on 31 October 2019. Glenelg Football Club Inc. is the principal and only beneficiary of the trust. The operations and net liabilities of the Glenelg Club Inc. were transferred to the Glenelg Football Club Trust on 1 November 2019. The consolidated financial reports includes the results of this entity from that date.

13 Contingencies

In the opinion of the Members of the Board, the Group did not have any contingencies at 31 October 2021 (31 October 2020:None).

14 Related Parties

(a) Board of Directors

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

Peter Carey (President & League Director)
David Whelan (Vice President & Finance Director)
Nick Chigwidden
Michael Michaels
Robert Gillies
Catherine Sayer
Teri Hopkins

(b) Remuneration of Directors

The Directors in office during the year ended 31 October 2021 did not receive any remuneration for their services.

Notes to the Financial Statements

For the Year Ended 31 October 2021

15 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2021	2020
	$	$
Profit for the year	**736,895**	404,574
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation	**293,496**	234,147
- impairment of gaming machine entitlement	**-**	58,576
- net gain on disposal of property, plant and equipment	**(35,000)**	-
- gain in revaluation of gaming machine entitlement	**(189,076)**	-
- interest and other expenses on AASB 16 leases	**17,974**	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	**50,802**	(79,857)
- (increase)/decrease in prepayments	**350**	(5,357)
- (increase) in inventories	**(44,526)**	(654)
- increase/(decrease) in income in advance	**(185,000)**	300,000
- increase/(decrease) in trade and other payables	**(52,754)**	211,244
- increase/(decrease) in employee benefits	**49,604**	(2,127)
Cashflows from operations	**642,765**	1,120,546

16 Events after the end of the Reporting Period

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

17 Statutory Information

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

Glenelg Football Club Inc and Controlled Entities
ACH Group Stadium - Brighton Road
Glenelg East SA 5045

Statement by Members of the Board

The members of the Board have determined that the Group is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 2 to the financial statements.

In the opinion of the Board the financial report as set out on pages 1 to 17:

1. Presents fairly the results of the operations of Glenelg Football Club Inc and Controlled Entities as at 31 October 2021 and the state of its affairs for the year ended on that date.

2. At the date of this statement, there are reasonable grounds to believe that Glenelg Football Club Inc and Controlled Entities will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Board and is signed for and on behalf of the Board by:

President ....

Vice President ....

Dated 1 February 2022

Glenelg Football Club Inc and Controlled Entities

Independent auditor's report to members

Report on the Audit of the Financial Statements

Opinion

We have audited the financial report of Glenelg Football Club Inc. (the Association and its controlled entities (the Group)), which comprises the consolidated statement of financial position as at 31 October 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the statement by the Board.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Group as at 31 October 2021, and its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

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

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

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist Glenelg Football Club Inc. and its Controlled Entities to meet the requirements of the members. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

ACCOUNTANTS & ADVISORS
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GPO Box 11050
Adelaide SA 5001
Telephone: +61 8 8409 4333
williambuck.com

Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the members and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.In preparing the financial report, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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 these financial statements is located at the Auditing and Assurance Standards Board website at:
https://auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our independent auditor's report.

William Buck

William Buck (SA)
ABN 38 280 203 274

G.W. Martinella
Partner

Adelaide, 1st February 2022