RELEASED C121223

ITEM NUMBER: 8.1

CONFIDENTIAL REPORT

LOAN RECEIVABLES
(Report No: 269/21)

Pursuant to Section 90(2) 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.**

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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: 246/20 Loan Receivables in confidence.**

2. **That in accordance with Section 90(3) of the *Local Government Act 1999* Audit Committee is satisfied that it is necessary that the public be excluded to consider the information contained in Report No: 269/21 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.**

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Item No: **8.1**

Subject: **LOAN RECEIVABLES**

Date: 25 August 2021

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 2021 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 2021;

2. the current impairment amount of $517,780 be maintained for impairment of community loans receivable as at 30 June 2021;

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 9.1 Loan Receivables (Report No: 269/21) 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, 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.

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COMMUNITY PLAN

Culture: Being financially accountable

COUNCIL POLICY

Not Applicable.

STATUTORY PROVISIONS

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

BACKGROUND

The 2020/21 financial statements will include amounts for loans receivable from community clubs. These will includes current receivables and gross financial assets and will total $1,869,576.

As part of Councils COVID-19 financial relief package sporting club loan repayments were partly deferred. However during 2020/21 a number of clubs recommenced repayments with the total amount being $33,502 which included a one-off $20,000 repayment for the Somerton Bowling Club loan.

Due to the impact of COVID-19 on SANFL operations the planned $200,000 land divestment fund distribution towards the Glenelg Football Club loans was not received by Council. It is expected that the distribution program to all SANFL clubs will recommence during 2021/22.

As at 30 June 2021 the Glenelg Football Club owed Council $1,663,256. 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 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 (ie. 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. The following key dates and Council decisions summarise the response to the Club requests and developments since that time:

- 11 December 2012 - Council agreed to restructure the loans by providing a 24 month interest-only term.

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- 27 August 2013 - Council noted the on-going financial performance strategies to improve the Club and resolved to advance new loans up to $500,000.

- 14 October 2014 - Council resolved to continue interest only repayments on existing loans for a further 24 month period.

- 8 March 2016 the Club met with Council regarding its financial position, forecast SANFL proceeds from sale of the AAMI Stadium Precinct Land and a proposal to reduce the loan amount owing to Council key decisions were as follows:

  - Council agreed to work with the Club to restore its longer term financial viability while mindful of discharging its obligations to its ratepayers.
  - Council considered that any further debt reduction was unacceptable and proposed the appointment of an independent investigative accountant to assist the Club and Council to fully understand the Club's financial position and obligations.
  - Council also sought assurance that the SANFL proceeds from the sale of the AAMI Stadium Precinct Land would be applied to repay Council loans. A working party was established to monitor financial sustainability.

- 26 April 2016 - Council endorsed a letter to the Glenelg Football Club outlining Council's considerations and actions (as above), recognising that the financial situation is complex.

- September 2016 - letter received from the Club dealing with the initial $250,000 SANFL land divestment fund distribution. Council agreed that the proceeds be first applied to satisfy the Clubs debt of $88,000 to the Australian Tax Office and the balance to be held by the SANFL pending a determination by Council. Council also agreed to engage BRI-Ferrier as an investigative accountant and that the report be provided in confidence.

- 25 October 2016 - Council received in confidence the BRI Ferrier report and resolved that the report be released in confidence to the Audit Committee in order to assist in the determination of the Club's ability to meet future loan repayments.

- 31 October 2016 – Audit Committee received loans receivable report (Report 276/16). An impairment amount of $400,000 as at 30 June 2016 was recommended to Council.

- 22 November 2016 – Council considered report (285/16) which included the BRI-Ferrier (independent investigative accountant). Key decisions were as follows (refer minute C221116/584 for full details):

  - Council re-affirms its commitment to support the Glenelg Football Club in its objective of long-term sustainability.
  - A proposal was put to the Club, SANFL, and ANZ to release funds and reduce overall indebtedness – including first tranche ($162,000) to be applied to repay Council's secured debt, and the Club's debt demolition campaign funds be applied to repay the ANZ.
  - Council negotiate a sharing arrangement of further SANFL proceeds with the ANZ in the proportion of 4/5 to Council and 1/5 to the ANZ.

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- 13 December 2016 – Council considered correspondence from the Club and reduced the lease payment amount to $40,000 for 3 financial years to 31/10/19.

  24 January 2017 – Council considered responses from the Club and the ANZ in relation to debt reduction. Key decisions were as follows (refer minute C240117/644 for full details):
  - Council re-affirms its commitment to support the Glenelg Football Club in its objective of long-term sustainability.
  - That Council's CEO and agents negotiate the first tranche of the SANFL proceeds on a 2/3 to Council (ie $108,000) and 1/3 to ANZ Bank (ie $54,000).
  - That Council's CEO negotiate future SANFL proceeds to be applied on a 4/5 Council, 1/5 ANZ – in the event that this could not be reached within 6 weeks the repayment basis be 2/3 Council and 1/3 ANZ.

- 1 and 2 February 2017 – Council received $108,000 being first tranche of the SANFL distribution based on a 2/3 Council, 1/3 ANZ split.

- 10 May 2017 – The Club wrote to Council seeking additional support to continue the delivery of its service to the community including agreement to pay 2/3 of the SANFL proceeds over the next 6 years.

- 16 May 2017 – Council workshop to consider response to letter, options and future strategy – facilitated by BRI -Ferrier.

- 23 May 2017 – Council formally considered a response to the Club. Key decisions were as follows (refer minute C230517/787 for full details):

  - Council's CEO be authorised to engage recognised professionals to act as Council agent in achieving negotiated settlement with the Club and SANFL.
  - Council accept a SANFL dividend sharing scheme of 2/3 Council, 1/3 ANZ – with funds to be paid direct to Council and covered by a binding agreement.
  - Past interest owed be written-off and future interest for 2 years up to 31 October 2019 not be charged.
  - The Club's ability to pay interest be reviewed after that time (ie 31 October 2019).
  - Loan principal repayments by the Club be reviewed after the final SANFL dividend instalment has transpired (ie October 2022).
  - The Club president and CEO meet annually with Council's Mayor and CEO following the release of the Clubs end of year accounts (ie after 31 October).

- 20 October 2017 – Council received $166,666.67 via direct credit the second tranche of the SANFL distribution based on a 2/3 Council, 1/3 ANZ split.

- 27 February 2018 – Council received a report (51/18) on the Glenelg Football Club Annual Financial Statements for year ended 31 October 2017. Council noted that the financial position had improved over the 12 month period as a result of Council measures to support the clubs objective of long-term sustainability (minute C270218/1059).

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- 23 April 2019 – Council received a report (153/19) on the Glenelg Football Club Annual Financial Statements for year ended 31 October 2018. The report indicated that the overall financial position was stable and that Council measures to support the clubs objective of long-term sustainability contributed to this result.

- 28 May 2019 – Council endorsed a motion to form a working group with the Glenelg Football Club to optimise its financial relationship, work with the stakeholders to consider Council's vision for the Glenelg Oval and the football club place in that vision, and investigate opportunities for the benefit of the community, Council and the Club. (Min C280519/1487).

- 22 October 2019 – 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 2022. It also resolved that the annual lease be maintained at $40,000 up to 31 October 2022 and that these arrangements be reviewed at least six months prior to 31 October 2022. (Min C221019/1658).

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.

As part of the annual review for the 2017/18, 2018/19 and 2019/20 financial statements the impairment amounts have been maintained at $517,780 (reports AC298/18; AC325/19; AC346/20).

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Glenelg Football Club – 2020/21 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 2020 the total amount recorded as owing from the Club is $1,663,256 with an impairment provision of $517,780.

Glenelg Football Club Financial Results – year ended 31 October 2020.

The consolidated financial results for the Glenelg Football Club for the year ended 31 October 2020 have been audited and are attached. They are also available for viewing via the Club website. 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 31/10/20***	***Period Ended 31/10/19***
Current Assets	$1,297,231	$306,002
Current Liabilities	$1,787,121	$1,278,160
Current Ratio	**0.73**	**0.24**

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 31/10/20***	***Period ended 31/10/19***
Long term debt	$1,616,448	$1,749,663
Total liabilities plus member funds	$7,942,903	$7,011,268
Percentage	**20%**	**25%**

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 31/10/20***	***Period ended 31/10/19***
Long term liabilities	$1,616,448	$1,749,663
Member funds	$4,539,334	$3,983,445
Ratio	**0.36**	**0.44**

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Profitability Ratios

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

Consolidated result	***Period ended 31/10/20***	***Period ended 31/10/19***
Net income	$555,889	$447,050
Total revenues	$4,613,116	$5,027,532
Percentage	**12%**	**8.9%**

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

- The net profit marginally increased by $108,839.
- COVID Impact – reduced income - SANFL distributions $456,399; Kitchen and Bar sales $580,685; net gaming revenue $105,980.
- COVID Relief Measures - Other Income increased by $1,291,821 due to Job Keeper $1,073,743; State Government $50,000 and cash flow boost $200,000.
- Improved net assets position $555,889.
- Improved cash position by $905,361 to $1,040,015.

SANFL – Land Divestment Timings

The SANFL is yet to formally advised the Club of the timing of the remaining Land Divestment payments however is expected that payments will be received as follows:

Payment Date	**Amount**	**2/3 Council Share**
October 2021	$300,000	$200,000
October 2022	$350,000	$233,334
October 2023	$300,000	$200,000
Total	**$950,000**	**$633,334**

Financial forecast and assumptions – year ended 31 October 2021.

The COVID-19 pandemic has continued to have a major impact on the welfare of society and economic conditions. All sporting and community clubs have been impacted with postponed and rescheduled competitions and events. Club patronage has been reduced due to restrictions at venues and profitability has been impacted.

However by reducing costs to suppliers and employees combined with COVID relief measures including job-keeper the Glenelg Football Club has remained sustainable. Given these outcomes the Club has meet the SANFL requirement of a consolidated operating result before depreciation of $100,000 for 2019/20. The Club continues to meet with the Council working party to ensure the clubs long term sustainability.

The deferral of the SANFL land divestment payments by 12 months has impacted the timing of future reviews, however the remaining assumptions for 2020/21 are largely unchanged from prior years and are as follows:

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- 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 (previously 2022/23) with the intention to be refinanced over ten years at the current LGFA CAD variable interest rate (currently 2.05%).

- 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.

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 $410,484 being an effective reduction of $107,296 on the current impairment provision of $517,780. However given the club's financial performance 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 2020/21 operating result or the provision for impairment in the Statement of Financial Position.

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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.

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Attachment 1

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GLENELG FOOTBALL CLUB INC AND CONTROLLED ENTITIES
A.B.N. 94 586 591 723

ANNUAL REPORT

YEAR ENDED 31 OCTOBER 2020

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GLENELG FOOTBALL CLUB INC AND CONTROLLED ENTITIES
A.B.N. 94 586 591 723

STATEMENT BY THE BOARD
FOR THE YEAR ENDED 31 OCTOBER 2020

As described in the basis of preparation accounting policy included in Note 1 of the financial statements, the group is not a reporting entity and these are special purpose financial statements.

In the opinion of the directors the accompanying financial statements and notes, as set out on pages 3 to 13:

(a) Presents fairly the financial position of the group as at 31 October 2020 and the performance for the year then ended; and

(b) Comply with the accounting policies as set out in Note 1 of the financial statements.

In the opinion of the directors:

(c) There are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable.

The above statement is made in accordance with a resolution of the board of directors.

Signed for and on behalf of the group by:

Peter Carey
Chairman

David Whelan
Finance Director

Dated: at Glenelg, this 11th day of February 2021

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GLENELG FOOTBALL CLUB INC AND CONTROLLED ENTITIES
A.B.N. 94 586 591 723

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 OCTOBER 2020

	Note	(Audited) 2020 $	(Unaudited) 2019 $
INCOME			
Football income	2	415,789	1,217,416
Venue income (net)	3	804,718	1,385,403
Membership income (net of expenses)		152,624	119,225
Sponsorship income (net of expenses)		324,674	367,379
Fundraising & coterie groups (net of expenses)		40,029	59,812
Merchandise sales (net of expenses)		29,504	117,434
Outdoor Sales (net of expenses)		67,462	199,017
Net Gaming Revenue	4	1,272,980	1,378,960
Grants & donations		35,212	4,583
Other income	5	1,470,124	178,303
Total income		4,613,116	5,027,532
EXPENDITURE			
Senior & junior football		(588,682)	(1,270,601)
Gaming Expenses		(613,147)	(702,052)
Bar Expenses		(22,726)	(24,357)
Kitchen Expenses		(53,611)	(80,602)
Sales Reductions		(87,131)	(217,302)
Office & Administration		(1,562,835)	(832,025)
Occupancy expenses		(214,507)	(300,826)
Other expenses		(312)	(3,245)
Employee Benefit Expenses		(865,692)	(1,094,672)
Function Expenses		(13,058)	(15,002)
Finance Costs		(35,526)	(39,798)
Total expenditure		(4,057,227)	(4,580,482)
Net profit/(loss) for the year		555,889	447,050
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
-		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		555,889	447,050

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

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GLENELG FOOTBALL CLUB INC AND CONTROLLED ENTITIES
A.B.N. 94 586 591 723

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2020

	Note	(Audited) 2020 $	(Unaudited) 2019 $
ACCUMULATED FUNDS			
Accumulated funds brought forward		998,893	551,843
Net profit/(loss) for the year		555,889	447,050
Accumulated funds carried forward		1,554,782	998,893
Stan Wickham Memorial Trust Fund		3,539	3,539
Asset Revaluation Reserve		2,930,000	2,930,000
Ossie Amies Trust Fund		51,013	51,013
TOTAL MEMBER FUNDS		4,539,334	3,983,445
This is represented by:			
ASSETS			
CURRENT ASSETS			
Cash & cash equivalents	6	1,040,015	134,654
Trade receivables		161,190	81,333
Inventories		79,336	78,682
Other receivables and prepayments		16,690	11,333
TOTAL CURRENT ASSETS		1,297,231	306,002
NON-CURRENT ASSETS			
Plant and equipment	7	5,295,672	5,355,266
Intangible assets	8	1,350,000	1,350,000
TOTAL NON-CURRENT ASSETS		6,645,672	6,705,266
TOTAL ASSETS		7,942,903	7,011,268
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	555,126	343,882
Grant funding received on behalf of Council		300,000	-
Employee benefit liabilities	10	102,797	104,924
Borrowings	11	829,198	829,354
TOTAL CURRENT LIABILITIES		1,787,121	1,278,160
NON-CURRENT LIABILITIES			
Borrowings	11	1,616,448	1,749,663
TOTAL NON-CURRENT LIABILITIES		1,616,448	1,749,663
TOTAL LIABILITIES		3,403,569	3,027,823
NET ASSETS		4,539,334	3,983,445

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

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GLENELG FOOTBALL CLUB INC AND CONTROLLED ENTITIES
A.B.N. 94 586 591 723

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 OCTOBER 2020

	Note	(Audited) 2020 $	(Unaudited) 2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from football & sponsorship		894,553	1,598,726
Receipts from fundraising & merchandise		115,220	425,636
Receipts from government		1,457,217	-
Receipts from customers		2,519,595	4,284,735
Proceeds from funding held on behalf of council		300,000	-
Payments to suppliers and employees		(4,130,513)	(5,770,088)
Finance costs		(35,526)	(39,798)
Net cash provided by / (used in) operating activities	14 (b)	1,120,546	499,211
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(81,814)	(138,167)
Proceeds from Australian Sports Foundation grants		-	2,808
Net cash provided by / (used in) investing activities		(81,814)	(135,359)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from / (repayment of) borrowings		(100,000)	(94,308)
Proceeds from asset purchase finance		56,529	-
Repayment of asset purchase finance		(89,900)	(83,088)
Net cash provided by / (used in) financing activities		(133,371)	(177,396)
Net increase / (decrease) in cash		905,361	186,456
Cash at beginning of the year		134,654	(51,802)
Cash at end of the year	14 (a)	1,040,015	134,654

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

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Note 1: Statement of Significant Accounting Policies

The financial report is a special purpose financial report prepared in order to satisfy the financial reporting requirements of the members of the Club. The committee has determined that the group is not a reporting entity. The financial report covers the Glenelg Football Club and controlled entities (the "group").

Basis of Preparation

The report has been prepared in accordance with the following applicable Australian Accounting Standards and Australian Accounting Interpretations:
- AASB 107: Statement of Cash Flows
- AASB 110: Events after the reporting period

No Australian Accounting Standards have mandatory applicability and Australian Accounting Interpretations are also not applicable.

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

The following is a summary of the material accounting policies adopted by the group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Principals of consolidation

A controlled entity is any entity Glenelg Football Club Inc has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 12 to the financial statements. All controlled entities have an October financial year end.

All inter-entity balances and transactions between entities, including any unrealised profits or losses have been eliminated on consolidation. Accounting policies of the controlled entity have been changed where necessary to ensure consistencies with those policies applied. Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

First year adoption of consolidated financial statements

The year ended 31 October 2020 represents the first financial year which consolidated financial statements have been prepared. This is a result of the establishment of the Glenelg Football Club Trust where effective 1 November 2019, all assets, liabilities, employees and operations of the Glenelg Footballers Club Inc have been transferred to the Trust, with the incorporated entity to continue in the capacity as trustee company. The Trust will make an annual distribution of its net income to its primary beneficiary, Glenelg Football Club Inc.

The comparative consolidated figures (2019) presented in these financial statements are unaudited. The individual entities, Glenelg Football Club Inc and Glenelg Footballers Club Inc, which form the consolidated comparative figures were individually audited in 2019.

(a) Income Tax
The group is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997.

(b) 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 losses.

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(b) Plant and Equipment (Cont.)

Leasehold Clubrooms, Function Centre Buildings & Redevelopments

Leasehold clubrooms, function centre buildings and redevelopments are shown at their fair value based on periodic valuations by the directors. The last independent valuation was carried out in the financial year ended 31 October 2010. Increases in the carrying amount arising on revaluation of land and buildings are accumulated in the asset revaluation reserve in accumulated funds. Revaluation decreases that offset previous increases of the same class of assets will be offset in the revaluation. All other decreases are charged to the statement of comprehensive income. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Depreciation or amortisation is not charged for these buildings as revaluations will be reviewed and revised on a sufficient regularity such that the value of the buildings will not materially differ.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and any impairment losses.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line or diminishing value method over their useful lives to the group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are based on useful lives as follows:

Plant and equipment	3 - 20 years
Motor vehicles	4 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

(c) Impairment of Non-Financial Assets

At each reporting date, the group reviews the carrying values of its fixed assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss.

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

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(d) Trade and other receivables

All trade and other receivables are recognised at the fair value of the amounts receivable as they are generally due for settlement within 30 days. Collectability of trade receivables is reviewed on an on-going basis.

(e) Trade and other payables

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

(f) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

(g) Employee Benefits

Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Long service leave is accrued for all employees who have completed five years service with the group, and calculated on the basis of the relevant Award or State Act. Annual leave is accrued on the basis of the relevant Award or State Act.

(h) Borrowings

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of current other payables.

(i) Revenue Recognition

Revenue from the sale of goods or provision of services is recognised upon delivery of the goods or services to the customer, at the fair value received or receivable, and when the amount can be reliably measured. Amounts disclosed as revenue are net of returns, discounts and GST.

Grant revenue is recognised when the entity obtains control of the grant, it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be reliably measured.

(j) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(k) Gaming Machine Entitlements

Gaming Machine Entitlements are carried at a directors valuation using a valuation model incorporating the cash flows received from gaming operations and a discount rate observed from market based evidence. These entitlements are assessed for impairment in accordance with Note 1(d).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2020

	Note	(Audited) 2020 $	(Unaudited) 2019 $
Note 2: Football income			
SANFL distributions		306,721	763,120
SANFL land divestment		-	275,000
Senior football		67,766	108,233
Junior football		41,302	71,063
		415,789	1,217,416
Note 3: Venue income (net)			
Bar sales		592,173	1,029,195
Cost of sales		(249,320)	(363,891)
		342,853	665,304
Kitchen sales		712,251	1,069,622
Cost of sales		(250,386)	(349,523)
		461,865	720,099
Total		804,718	1,385,403

Note 4: Net gaming revenue

The Club has 36 Poker Machines, some of which are financed by finance lease or chattel mortgage. The loans from Esanda Finance Corporation (ANZ Banking Group Ltd), are guaranteed by the Glenelg Football Club Inc and ANZ Banking Group Ltd and Esanda Finance Corporation also have security over some Poker Machines. The Club is licensed to operate a maximum of 36 Poker Machines.

	2020	2019
Turnover on Gaming Machines	15,255,424	16,414,283
Less 'Wins' returned to Player	(13,855,146)	(14,897,427)
Net Receipts $	1,400,278	1,516,856
Net Receipts $ (excl. GST)	1,272,980	1,378,960
Net Receipts %	9.18%	9.24%
Number of Gaming Machines	36	36
Gaming Tax Paid	377,067	477,640
Gaming Tax % of Net Receipts	26.93%	31.49%

Net receipts are accounted for on a cash basis.

Note 5: Other income

	2020	2019
COVID19 - Cashflow boost	200,000	-
COVID19 - JobKeeper	1,073,743	-
COVID19 - State government	51,000	-
Bingo & Keno Income	2,834	49,079
Functions Hire Income	2,939	7,126
Gain on disposal of plant and equipment	-	16,000
Business interruption insurance claim	-	2,441
Forgiveness of interest on Council loans	8,000	2,348
Rental Income	114,330	77,967
Other income	17,278	23,342
	1,470,124	178,303

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	Note	(Audited) 2020 $	(Unaudited) 2019 $
Note 6: Cash & cash equivalents			
Cash at bank		995,605	76,207
Cash on hand		44,410	58,447
		1,040,015	134,654
Note 7: Plant and Equipment			
Leasehold improvements at fair value		4,636,948	4,636,948
Plant and equipment at cost		2,486,272	2,438,460
Less: accumulated depreciation		(1,837,198)	(1,733,008)
		649,074	705,452
Motor vehicles at cost		62,880	62,880
Less: accumulated depreciation		(53,230)	(50,014)
		9,650	12,866
Total plant and equipment		5,295,672	5,355,266
Note 8: Intangible assets			
Gaming machine entitlements		1,350,000	1,350,000
Note 9: Trade and Other Payables			
CURRENT			
Trade payables		214,251	157,911
Sundry creditors and accruals		336,855	178,286
Income received in advance		4,020	7,685
		555,126	343,882
Note 10: Employee Benefit Liabilities			
CURRENT			
Annual leave		46,022	83,227
Long service leave		56,775	21,697
		102,797	104,924

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Note 11: Borrowings

The Group has borrowing facilities with the ANZ Banking Group, which includes a Business Loan of $544,333 and Overdraft Facility with a limit of $160,000. Subsequent to reporting date, the Business Loan and Overdraft facility have been extended and now 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. A summary of the both the secured and unsecured borrowing commitments has been included below.

	(Audited) 2020 $	(Unaudited) 2019 $
(a) **Secured Loans**		
CURRENT		
ANZ Bank Bills	500,000	500,000
ANZ Business Loan	44,333	44,333
City of Holdfast Bay Council Debenture Loans	200,000	200,000
Asset Finance Liabilities	84,865	85,021
	829,198	829,354
NON-CURRENT		
City of Holdfast Bay Council Debenture Loans	1,463,256	1,463,256
Asset Finance Liabilities	53,192	86,407
	1,516,448	1,549,663
Total	2,345,646	2,379,017

The ANZ Business Loan and the principal amount payable to the City of Holdfast Bay will reduce by $100,000 and $200,000 respectively next financial year as part of the 2021 distribution of the SANFL Land Divestment Funds. These 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 of signing these financial statements and therefore these are classified as non-current liabilities.

	2020	2019
(b) **Unsecured Loans**		
CURRENT		
Samlar Pty Ltd Loan	100,000	200,000

Note 12: 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:

P Carey (Chairman)
D Whelan
J Scripps (resigned 10 January 2020)
C Sayer
N Chigwidden
M Michaels
R Gillies

Justin Scripps resigned as a director on 10 January 2020 and was appointed Chief Executive Office on 15 June 2020. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

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Note 12: Related Parties (Cont.)

(b) Remuneration of Directors

The Directors in office during the year ended 31 October 2020 did not receive any remuneration for their services.

(c) Controlled entities

Parent entity:
Glenelg Football Club Inc.

Controlled entities:
Glenelg Footballers Club Inc.
Glenelg Football Club Trust

Note 13: Contingent Liabilities

In the opinion of the Board of Directors, the group did not have any contingent liabilities as at 31 October 2020.

Note 14: Events after the end of the reporting period

No matters or circumstances have arisen since the end of the financial year ended 31 October 2021 which significantly affected or may significantly affect the operations of the group, the results of those operations or the state of affairs of the entity in future financial years.

	(Audited) 2020 $	(Unaudited) 2019 $
Note 14: Cash Flow Information		
a. **Reconciliation of cash:**		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash at bank	995,605	76,207
Cash on hand	44,410	58,447
	1,040,015	134,654
b. **Reconciliation of cash flows from operating activities with profit or loss from ordinary activities:**		
Net operating profit/(loss)	555,889	447,050
Non-cash flows in operating result from ordinary		
Depreciation expense	141,408	138,231
Transfer to/(from) provisions	-	(19,133)
Net loss/(gain) on disposal of plant and equipment	-	(16,000)
Cash flows in operating activities reclassified:		
Australian Sport Foundation Grants	-	(2,808)
Changes in assets and liabilities:		
Decrease/(increase) in trade receivables	(79,857)	17,125
Decrease/(increase) in inventories	(654)	(8,590)
Decrease/(increase) in prepayments	(5,357)	(2,842)
Increase/(decrease) in trade and other payables	211,244	(77,243)
Increase/(decrease) in deferred revenue	300,000	(2,565)
Increase/(decrease) in funds received on behalf of council		
Increase/(decrease) in employee benefit liabilities	(2,127)	25,986
Net cash flows from operating activities	1,120,546	499,211

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GLENELG FOOTBALL CLUB INC AND CONTROLLED ENTITIES

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Glenelg Football Club Inc and Controlled Entities (the Entity) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 October 2020, the consolidated statement of profit or loss and other 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 report, including a summary of significant accounting policies and the 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 2020 and of its financial performance and its cash flows for the year then ended in accordance with the basis of accounting described in note 1.

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 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 Controlled Entities to meet the requirements of members. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other matter

The corresponding figures for the year ended 31 October 2019 are unaudited.

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, and have determined that the basis of preparation described in Note 1 is appropriate to meet the requirements of 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.

BDO Audit (SA) Pty Ltd ABN 33 161 379 086 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (SA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

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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 Group 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 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 (http://www.auasb.gov.au/Home.aspx) at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

BDO

BDO Audit (SA) Pty Ltd

Andrew Tickle
Director

Adelaide, 11 February 2021

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