



MIDDLE HARBOUR YACHT CLUB

## ANNUAL REPORT 2020/2021





## OUR VISION

To create a Club that has a sustainable future, is financially strong and is the destination of choice for members and guests both on and off the water.

## OUR MISSION

Capitalise on the Club's unique location and its core commitment to sailing and boating to encourage greater member and guest patronage.

Continue to provide and improve the marina and clubhouse facilities and associated hospitality and community based services to promote a family friendly environment and increase the participation of members and guests in all facets of the Club's activities.



## CONTENTS

Vision and Mission	1
Contents	2
Directors, Officers and Management	3
Financial Highlights	4
Chairman's Report	5
Commodore's Report	7
Sydney Harbour Regatta	8
Flag Officers Report's	9
Youth Sailing	13
Sydney Short Ocean Regatta	14
MHYC Foundation	15
<b>Consolidated Financial Statements</b>	
Directors' Report	17
Auditor's Independence Declaration	21
Consolidated Statement of Profit & Loss & Other Comprehensive Income	22
Consolidated Statement of Financial Position	23
Consolidated Statement of Changes in Equity	24
Consolidated Statement of Cash Flows	25
Notes to the Financial Statements	26
Directors' Declaration	44
<b>Independent Auditor's Report</b>	
Report on the Audit of the Financial Report	46



# DIRECTORS, OFFICERS AND MANAGEMENT

## BOARD OF DIRECTORS

The Directors of the company at the date of this report are:

Robin Aldis	Chairman
Peter Lewis	Commodore
Philip Clinton	
Neil Drabsch	
Nicola Morgan	
Edith Hurt	
Shaun Lane	
Laurie McAllister	
John McCuaig	

## FLAG OFFICERS

Peter Lewis	Commodore
Geoff Charters	Vice Commodore Racing
Evan Hodge	Vice Commodore Cruising
Alister Copley	Vice Commodore Youth Sailing
Karen Ewels	Club Captain

## MANAGEMENT

Mark Maybury	CEO/Club Secretary
Bruce Aitken	Finance Manager/Company Secretary
David Staley	Sailing Manager
Matt Pyne	Marina Manager

## COMPANY DETAILS

Middle Harbour Yacht Club Limited  
(A Company limited by guarantee)  
ACN 000 248 877; ABN 95 000 248 877  
Lower Parriwi Road, Mosman NSW 2088  
Phone: 02 9969 1244 | Web: [www.mhyc.com.au](http://www.mhyc.com.au)

## AUDITORS

PKF Chartered Accountants  
Level 8, 1 O'Connell Street Sydney NSW 2000



# FINANCIAL HIGHLIGHTS







ROB ALDIS  
CHAIRMAN

## CHAIRMAN'S REPORT

Despite the disruptive impact of the COVID-19 shutdown during the 2020/21 year I am pleased to report that with the support of our members, staff and the government's financial support programmes, we achieved a number of our major objectives during this disruptive period and the Club has emerged in a much stronger position.

While members access to the Club's facilities was limited, during the period of shutdown our primary aim was to ensure that our staff, members and guests were COVID-19 safe, the marina remained fully operational and to undertake a programme of renovation, maintenance and repairs to the Club premises and surrounds. Many of our normal events were cancelled and the Harbourview Bar closed with only limited service through the Sandbar.

We were able to re-commence competitive sailing programmes in June and the cruising division continued to operate and later in the year Youth sailing programmes were introduced for the summer season. These programmes particularly the Thursday Twilight series and Wednesday and Saturday racing proved to be very popular and well supported by members, details of which are set out in the Commodore's and Flag Officers reports.

A sincere thank you to all our members for their continued patronage, financial support through membership renewal and the many volunteers who provided significant time and service to management and the board through this difficult period. A special thanks and acknowledgement to our new CEO Mark Maybury and his small professional and experienced team who managed the Club through the disruption and uncertainty of the COVID-19 pandemic.

### Financial Results

It is pleasing to report that the operating profit before depreciation and interest expense was \$979,253 compared with \$686,750 last year, up 42% adjusted for lease amortisation and interest expense as required under the accounting standard AASB 16. Revenue from our main operations excluding government subsidies and donations was \$3,242,663, down 14% compared with last year mainly due to reduced food and beverage services.

Net profit for the year was \$133,536 compared with a loss of (\$164,284) last year.

Revenue benefitted from the substantial government subsidies under the COVID -19 programmes for JobKeeper and the small business Cash Flow Boost. The JobKeeper allowance provided an opportunity to support regular payments to over 20 of our long term casual employees in the period to end December 2020 as well as subsidising the cost of our small full time management staff. Total cash subsidies for the period including the cash flow boost was \$755,957.

The MHYC Foundation Trust provided \$125,811 in total grants to the Club, mainly funded by members donations to the Foundation to assist the purchase of the new start/marker vessel the "Jack Stening" and through voluntary membership renewal donations. Details of the Foundations activities during the year are included later in the annual report.

The marina continued to provide strong financial support to the Club's finances with berths at near full capacity throughout the year. The offer of prepaid marina berth licences is now limited with a reduced discount and only two new licences for a total \$60k issued during the year. As long term licence arrangements expire over the next few years, monthly cash flow from the marina will increase.

Operating expenses were carefully managed throughout the year within our budget allowances. We did incur some one-off expenditure of around \$151,500 for renovation and maintenance costs in accordance with our refurbishment plans. A large non-recurring expense of \$158,159 is included to cover an anticipated prior year expense for lease adjustment expense associated with the Transport NSW lease of the marina and clubhouse properties. The additional rental charge has been provided in full reflecting the expected maximum liability, although at this date no payment has been made and management continues to work with Transport NSW to agree and settle on a final amount.

Cash flow from operations was \$987,329 well up on the previous year (2020, \$84,277) mainly due to cash received from the government COVID-19 subsidies. Cash on hand at the end of the financial year is high compared with prior years, with funds retained to assist funding the proposed refurbishment of the Sandbar and A-Arm walkways due to be completed by end August 2021.

The debenture debt is \$4,827,500 unchanged from the balance at the end of last year. Members strongly supported the debenture programme with \$1,985,000 rolled over for another average three years in March 2021. Interest on the debenture debt was \$255,748 slightly lower compared with last year reflecting an overall a lower average interest rate of 4.90% (2020, 5.37%).

Net assets of the Club at year end was 6,682,551 (2020: \$6,549,015).

### Corporate Governance

Our corporate governance framework and policies is assisted by a number of committees with terms of reference and regular meetings to assist management and the board in managing the business and overseeing supervision of the operations and assets of the Club. The committees include the Sailing Committee, Marina Committee, Finance & Risk Committee and Clubhouse Committee together with a number of sub-committees comprised of members who provide many hours of service for which they receive our appreciation and thanks.

### Outlook

I am encouraged by the general positive attitude around the Club and increased members participation in our core sailing and boating activities. While we expect the uncertainty caused by the COVID-19 pandemic, its limitations and disruption to members services to continue in the year ahead, updating the Club's infrastructure and services is key to ensuring the Club is a viable and attractive venue for existing and new members.

Overall, the financial strength of the Club at the end of the year is much improved and we have a strong cash position to support our plans over the coming year. Our strategic plan includes taking a balanced approach by the board to re-invest a large part of these funds into improving the Club's marina, building and facilities, whilst ensuring operational cash is appropriately managed within our targets.

In the year ahead, the board has requested management concentrate on completing a number of large projects. These include;

- Replacement of the marina A-Arm walkways
- Implement the master plan for relocating and updating commercial tenancies
- Construction of the Sandbar upgrade stages 1 & 2 to ensure its operation for the upcoming 2021/22 sailing season
- Develop plans for the Sandbar stage 3 to improve overall F&B services and kitchen facilities
- Implement a revised membership categories and benefits plan
- Undertake a number of major repairs to the marina access and rigging deck and buildings to ensure the Club is fully operational.

A special thank you to management and the many members who volunteer their services in support of the Club's activities. I appreciate the board members commitment for their time, effort and contribution to the supervision of the club's operations and look forward to working with them in achieving our goals for the year ahead.

Rob Aldis  
Chairman







PETER LEWIS  
COMMODORE

## COMMODORE'S REPORT

The uncertainty of the COVID outbreak in 2020 meant adapting our day to day management and plans due to the COVID restrictions. This was a difficult task for the Board, Flags, and staff, with our main aim to preserve as much of Club life as possible and prepare for the return to more normal conditions, sailing events and activities. It was a difficult time for all but we have emerged a much stronger Club, the outlook is brighter and we are prepared and trust that club life will continue as usual, uninterrupted by the scourge of COVID.

The club has undertaken many projects throughout the year. This included the raising of monies to purchase a new major on-water start/mark boat the "Jack Stening". A sincere thank you to our many members who donated to the fundraising. This is the first purchase of its type for many years and is proving a major benefit to our on-water start volunteers and to our youth sailors. The Marina Committee has been diligently overseeing a major repair and rejuvenation project to A-Arm. This project was stalled through COVID and to preserve cash. We are now looking forward to completing it in the next few months.

The Clubhouse makeover is well underway with the initial stages of the entrance and breezeway now complete. Mark Maybury our CEO is co-ordinating the next stages of the Sandbar renovations. This will inevitably affect the service to our valued tenants, members and our guests. We will endeavour to minimise the impact of the works on Club activities but expect the new Sandbar, and improved amenities will greatly enhance the club.

The commencement and organisation of the Clubs sailing programmes in June last year are indeed a credit to the Sailing Committees and Special Events Committee. I am regularly receiving compliments from Commodores of other clubs on our professional, intensive and varied sailing programmes. This is a direct result of the hard work of our sailing office ably led by David Staley, the Sailing Committee, and our on-water volunteers who work tirelessly week in week out and throughout the year. It is a credit to our sailors who have performed well in our club, interclub and national competitions. Our youth sailors have performed admirably at the national level and our youth involvement is flourishing. Our Schools programmes and our training programmes are growing and the youth fleet is strong. We continue to focus on women in sailing and we hope to build on the Women's Regatta and the Women in Twilight's programmes.

We continue to attract sponsors, whose support we cherish and see as a partnership that is both beneficial to our sponsors and the club. Our fleets are growing in all aspects of Sailing. Our One Design fleets of Farr 40's, Adams 10s, J24's and, Mc38 's is strong and very competitive. Our Cruising division activity is varied and interesting. The Cruising division contains a vast knowledge base that many members rely upon. Our year-round Sailing Program is keeping the energy in the sport for all sailors young and old.

The spirit in the club is our greatest asset. We are blessed with so many volunteers who give their time generously to the club. To the Board and Flags I send my heartiest thanks for your support and wisdom in leading the club through some challenging times. To our selfless Committees thank you for your input and dedication. To our many on-water volunteers on behalf of every sailor we serve, well done, and keep up your wonderful work. To our management staff thank you for your work and service.

Sadly, as is the case every year we have lost some members this year. They will all be missed and the Club will not be the same with their passing. The Club will continue in the tradition and prosper on their contribution.

When reviewing the 20/21 year the Club is in a strong position in all aspects. There is always room for improvement and this is our challenge to further improve and develop so that the Club remains resilient and strong. Given the uncertain times in the world with the COVID pandemic we are extremely fortunate to be Australian and indeed members of the Middle Harbour Community.

2021/22 promises to be an exciting year both on and off the water. Good luck and fair winds to you, our members and your families.

Peter Lewis  
Commodore

## SYDNEY HARBOUR REGATTA

The Sydney Harbour Regatta, held in March each year is Sydney's premier yacht racing event - the biggest event of its kind in New South Wales and one of the largest competitive keelboat regattas in Australia. It is also one of the highlights of Middle Harbour Yacht Club's sailing calendar.

First held in 1996, the event has grown to become the strongest competitive sailing regatta since the 2000 Sydney Olympics.

This year the Regatta was held on the weekend of March 6-7. 187 boats across 15 diverse classes & divisions took part in the 2021 Regatta, the 16th year of the event. From the NSW Championships in the Sydney 38, Yngling, Cavalier 28 and J70 along with a diversity of other classes, the aim of the regatta is to include:

- Premier Class (offshore racing)
- Performance Classes (inshore racing)
- Numerous one-design classes including Etchells, Yngling, Adams 10, Cavalier 28 and J70
- Historic 18 Footers

The regatta is constantly evolving, with classes updated and racing formats reviewed year on year. The 2021 Sydney Harbour Regatta included Super Group racing for asymmetric sports boats and new courses for the Performance Spinnaker fleets.

One thing that never changes is the support of other yacht Clubs around Sydney and the willingness of the race management volunteers. Without their commitment to the regatta's success it would be impossible to host an event of this magnitude.

Our volunteers are a class apart, and so are our commercial supporters: there are some incredible prizes on offer thanks to the generosity of our events sponsors – Sail Racing, Ensign Yachts, Mercedes-Benz North Shore, Manly Spirits, One Stop Marine and Mercure Resort Hunter Valley Gardens.

Competitors at all levels of sailing can be found taking part, from keen Club sailing enthusiasts right up to national and world champions and sailors who have represented their country at the Olympics. Some of the biggest names in sailing can be found contesting the Premier IRC class divisions on windward/leeward offshore courses.

The shore-side activity surrounding the Sydney Harbour Regatta is also keenly anticipated as an integral part of this spectacular regatta. Spectators and competitors can look forward to great entertainment, food, live music, fantastic prizes from our generous sponsors and an energetic party atmosphere.

Middle Harbour's beach is the place to head after the day's racing is done, affording the chance to unwind with a refreshing drink, catch up with old friends and make many new ones.

For the latest on the Sydney Harbour Regatta, visit the website at [www.shr.mhyc.com.au](http://www.shr.mhyc.com.au)





# FLAG OFFICERS REPORTS

## VICE COMMODORE RACING REPORT - GEOFF CHARTERS

The 2020 / 2021 sailing year has again been an exciting and unpredictable one!

The club has managed to maintain a significant schedule of racing despite the severe restrictions placed on crewing numbers and limitations on onshore activities – all resulting from the ever-present COVID challenges.

I would like to take this opportunity to express my personal thanks to the club and sailing office people who worked tirelessly to adapt to the changing situations and made it possible for us to go sailing regularly. In addition, I would like to express my deepest gratitude to the race management volunteers who continued to get out on the water and provide us with courses to sail in the most cheerful fashion and the highest levels of professionalism on Sydney Harbour.

Although there were a few events that could not be run due to the pandemic situation, the club managed to run most of its busy and varied calendar, for which all the sailors a hugely appreciative.

The MHYC sailing programs continue to provide MHYC members and visiting crews the opportunity to participate in a diverse and busy range of sailing activities that enhance their skills and provide fun, fair, and close racing for all levels. Sailing participation and particularly competitive sailing participation continues to evolve. It is pleasing to note that MHYC sailors continue to support interclub competitions. which makes us

better sailors and people.

I would also like to express my thanks to the Sailing Committee who work tirelessly to ensure each of the Divisions continues to grow. We are looking forward to the coming year with anticipation as we are confident that we will get more production boats out on the water in our feature events, more boats participating in the various One Design categories and growth in the inshore Division 1, 2 and 3 events.

Middle Harbour Yacht Club continues to “punch above its weight” in regattas and other club events. It is pleasing to see MHYC yachts take top honours in the CYCA SOPS races and the club very well represented at the recent Port Stephens Regatta.

Middle Harbour Yacht Club continues to be a club that is welcoming, inclusive, and supportive of all its members. The club will continue to encourage a wider participation from all people interested in sailing and will work with individuals and groups to identify and foster pathways for broader participation by all.

We believe that the ongoing evolution of our culture and the strong leadership from the board make our club the best club in Sydney.

Fair winds and following seas, may forever you feel, upon your cheek, the salty breeze...



## VICE COMMODORE CRUISING REPORT - EVAN HODGE

The Cruising Division (CD) continued to be a vibrant active part of MHYC during the year which was again overshadowed by Coronavirus. We continue our monthly CD meetings via Zoom which were quite well attended, even with the technical challenges faced by many.

BBQs and our guest speakers resumed on our normal third Monday of each month once we were finally able to meet in person at the beginning of the year. Guest speakers this year have included Matt Hayes (ex-Olympian) – his adventures on the ARC Across the Atlantic rally. Mr and Mrs Kevin Enright, on their yacht TinTin and their voyage around the globe that was stopped short in the UK when COVID struck, and Rodney Page, Training Mgr., Marine Rescue NSW Northern Region who spoke to us on crossing NSW east coast bars.

The Cruising Division continues to have a focus on safety and education conducting sessions on a range of topics from navigation, man over-board, and emergency steering to name a few.

We have held several events both on-water and on-land for our members. During 2020 our traditional Long Lunch in July and

Tapas Tie up in October were cancelled amongst other events due to COVID but will be back this year, COVID permitting. Our calendar for the coming year is currently under review but we envision a mixture of local, short coastal, and some longer cruises by our intrepid CD members.

The Cruising Division Committee made up of Phil Darling, Kelly Nunn-Clark, Sanna Westling, Dot Theebloom, Dallas O'Brien, Jeremy Clarke, Martyn Colebrook, Mike McEvoy & Evan Hodge have contributed heavily throughout the year. The Compass Rose, the monthly newsletter from the Cruising Division is testament to the effort they all put into the club.

This year should see the return of the 'Make-A-Wish' Sailing Day in late October, COVID permitting, where the Cruising Division and other club members volunteer their yachts to host families whose children have been challenged with health issues. It is a 'day away' for many families from their usual routine.

We look forward to continuing the Cruising Division tradition of inclusion, community, camaraderie and, safety on the sea.





VICE COMMODORE YOUTH SAILING - ALISTER COPLEY

The past season of youth sailing has been incredibly positive despite the backdrop of COVID and associated restrictions. While we could not travel as once before, we were still able to undertake our passion for sailing, albeit in a slightly modified way at times.

The desire of our club to keep sailing (within restrictions) was never more evident than in our youth sailing fraternity with several last-minute COVID safe friendly events scheduled to keep them on the water and sailing. This ensured that when the restrictions were relaxed, our young sailors would have improved their skill set ready for competition. This proved a highly successful approach with some fantastic results achieved from many sailors including 29er State Champions with the crew of Zoe Dransfield and Madeleine Mcleay and a 2nd in the Optimist Nationals from Ben Craaford

The Discovery Sailing centre, led by Drew Lucas and his team of dedicated instructors, managed to train over 500 kids during the year and was rewarded with a listing in the top 10 Discover Sailing Centres in Australia. The program now covers kids learn to sail programs from 7 years of age to 15 years and then has a transition to racing programs in the 29er and Optimist classes led by Brewer racing.

A key area of growth is School Racing with 5 girls' schools now calling MHYC home for their summer sailing sport. Using the Pacers, Club 420's and Optimists, over 70 girls sail from MHYC each week in a variety of courses from Learn to Sail to Teams racing.

The Youth Sailing committee is now pushing out beyond MHYC and incorporating training and events with other Sydney Clubs

and classes. The works done by these hard-working members has locked in the upcoming summer season of sailing including a large cohort of MHYC sailors and parents heading to Perth after Christmas for the Nationals where no doubt some great results and exciting social times will be held. We also have some home-based social nights and activities planned.

Our committee and parent volunteers provide the on-water support following David's guidance for all racing activities with many parents now training in areas of race management including mark laying, results, safety boat, etc. Without these volunteers, the racing simply would not happen, and I would like to personally thank everyone for getting involved and giving it a go, even when you are not 100% sure what you might end up doing.

With this my final year as Vice Commodore for Youth Sailing at MHYC, I am extremely proud to have worked with an amazing bunch of members and staff in bringing MHYC Youth Sailing back to being a great social and competitive sailing program. The plan we put forward 3 years ago to the Board has been realised through the hard work of many people and I look forward to seeing the next stage of development with our youth sailing and keel boat transition projects. More to come on these very soon.

As a final thought, and something pivotal to a club such as MHYC, we are blessed with an amazing location, dedicated staff, and fantastic support. All we need is for you to get involved to make it even better.

CLUB CAPTAIN - KAREN EWELS

We have just emerged from another round of COVID restrictions proving life is still volatile. The past year has taught us the importance of being able to change and adapt our strategies according to these challenges. Firstly, I would like to thank all members for their continued commitment to the club during this time. Secondly, I would like to thank Mark Maybury and his staff who have kept the club going, kept members sailing and allowed us to safely enjoy a drink: to the accounts team, reception team and all the wonderful bar and catering staff, who remember our names and more importantly our favourite drink – thank you. It has not been an easy task.

Membership has been steady over the past year and it is the backbone of the club. As of 1 January 2021, Australian Sailing has prescribed that in accordance with Rule 46, all crew are members of an affiliated club and are registered with Australian Sailing - regardless of the number of races they have competed in. MHYC needs your support is in making sure the crew on board your boat have been signed up either using SailPass or more desirably as a member.

Whilst social events have been curtailed, we did have a fabulous planning committee well on the way to organising last year's open day, and we are hoping to get them back for this year's celebration. Despite the restrictions, Middle Harbour Yacht Club has enjoyed an excellent season of racing. The Twilight season was enjoyed by all competitors, the Wednesday races are back with an enthusiastic fleet. MHYC Women's Regatta and the Twilight female helm nights have been integrated into the MHYC racing programs and are having a positive effect on the levels of female participation. Our Youth Sailing Program is continuing to

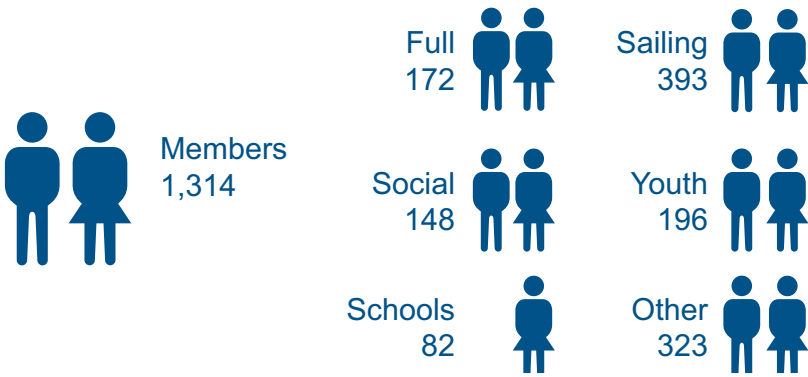
expand and produce outstanding male and female sailors under the instruction of Drew Lucas.

We take this opportunity to acknowledge our superb group of race management volunteers who enable us to race each weekend.

The Sydney Harbour Regatta (March) and Sydney Short Ocean Racing Championship (November), continue to be recognised as premier two day events in and outside Sydney. The inclusion of more classes and fleets, the great competition, and the support from the other Clubs on the harbour is a testament to the hard work of the committees who manage these events. Middle Harbour Yachts were well represented in the Combined Clubs inshore series with Khalessi and Another Dilemma on the podium. Our yachts also comprised a large portion of the fleet in the Port Stephens 2021 Commodore's Cup and the NSW IRC Championships with good results.

Now we go into an exciting time of renovations to reinvigorate our Sandbar into a vibrant café/club area. The master plan is available for you to peruse, and I hope that you are looking forward to having a revitalised clubhouse that offers inviting and welcoming areas for you to enjoy without losing any of the aspects that we love. Rest assured careful consideration has gone into keeping trophies and historical items. The goal is to have a Clubhouse that is sustainable both financially and structurally going forward. To ensure this we need good patronage by our members and your friends. So, I ask that you again are patient and continue to support the club through this time of change.

MEMBERSHIP NUMBERS





## YOUTH SAILING

Youth Sailing at MHYC is run by our very own Australian Sailing Accredited 'Discover Sailing Centre'.

The Club has a long tradition of youth sailing dating back to 1963 when a small fleet of timber boats and a handful of young sailors laid the foundation for Frank Likely, in 1966, to begin the first youth sailing courses at the Club. Over the decades since then, many world class sailors have emerged from the program.

We saw a large boost in enthusiasm towards the Club's young, future sailors with the establishment of the Australian Sailing team facilities here in 2013 which has enabled the Olympic and Paralympic teams to training alongside our beginner sailors. Today the programme has grown to become one of the top ten Discover Sailing Centres in Australia.

The MHYC Discover Sailing Centre offers Learn to Sail courses for ages 7-17 with a pathway that follows from complete beginner to competent sailor or even elite racer regardless of when you start. For children who have completed the learn to sail programs or have joined us from a sailing background, we run development programs for multiple world sailing recognised dinghy classes.

Our talented and experienced young sailors compete in Club, local, regional, national and international competitions. Inspiration to take their sailing journey to wherever they want is easy to find whilst training amongst Australian Olympians and world champions.

Our team of staff and volunteers are all qualified to the Australian Sailing national governing body standard and are passionate about inspiring the next generation of participants in their sport. The values and discipline gained from sailing is instilled in our instructors and coaches and is passed on in their teachings, creating an environment of mutual respect and a wholesome Club atmosphere. This is seen so clearly on any training or race day at the Club as well as at our youth sailing social events held throughout the year.

The MHYC Discover Sailing Centre also coordinates schools sailing programs for many local schools providing a local Club facility in which to explore the aquatic environment. To get involved or to find out more information call us on 02 8969 3116.



## SYDNEY SHORT OCEAN RACING CHAMPIONSHIP

A major sailing event in the Middle Harbour Yacht Club calendar through the year is the Sydney Short Ocean Racing Championship, this season held over the weekend of 28-29 November 2020.

This event marks the beginning of the regatta season in Sydney.

Having celebrated 40 years in 2017, the SSORC has long been regarded as the perfect way for serious yachtsmen to test their boats and crew ahead of the following month's Rolex Sydney to Hobart Race and invariably boasts a quality line-up.

Many keen sailors see the event as the chance to shake off the winter cobwebs and prepare themselves for the season ahead. And it wouldn't be Middle Harbour Yacht Club without some fun on dry land after the racing, with all crews, friends and family invited back to the post-race beach party on both days, with live entertainment.

The format of the SSORC has been tweaked over the past few years to cater to competitors' wishes, with the current formula being one that seems to be enjoyed by everyone involved. The regatta commences with a coastal passage race either to Cape Baily or Lion Island and return. The second day features three offshore windward-leeward races with all race scores to count.

The SSORC includes three divisions—TP52, Division 1 and Division 2—with scoring under IRC, ORCi, PHS and TPR for the TP52 class.

A quality field is assured, particularly with the SSORC forming one leg of the MHYC and CYCA Ocean Pointscore Series.

Inside the Harbour, the annual Seven Islands pursuit race attracts Saturday sailors and their crews from Clubs throughout Sydney and allows them to participate in the fun and competition of the first major regatta of the racing season. The race is also the first round of the Jeanneau Cup Series.

The Club thanks the Cruising Yacht Club of Australia for making its race management resources available and to Bob Cox for his ongoing efforts to promote the event.

MHYC expresses its sincere thanks to sponsors Helly Hansen, Club Marine, Oatley Wines and Short Marine for their support.

The 2021 SSORC will be held from 27-28 November. For more details on the event visit the website at [www.ssorc.mhyc.com.au](http://www.ssorc.mhyc.com.au)







# MHYC FOUNDATION

## REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The MHYC Foundation Trust was formed in January 2019 for the primary purpose of receiving donations and grants from members of the Middle Harbour Yacht Club (the Club), their estates, family groups and other approved third party sources to create a reserve of funds that will assist ongoing financial support of the Club

### Purpose of the Foundation

- To create a permanent Fund to be administered independently from the Club; and
- To help preserve, develop and maintain the standards and facilities of the Club.
- To make grants to the Club from time to time for the purpose of assisting the Club in achieving its goals.

The Foundation is administered by an independent corporate trustee, MHYC Foundation Pty Ltd with a board comprising five directors. The directors of the trustee company are the following Club members:

Neil Drabsch (Chairman)  
Julie Hodder  
Neil Padden  
Rob Reynolds  
Jack Stening

The board works closely with the Club to promote fundraising activities that support the Club's strategy and plans.

A number of Special Project Funds have been established to receive donations and make grants to the Club for the following:

FLYAS Fund – Youth Sailing incorporating funds from the previous Frank Likely Trust  
MHYC Revitalisation Fund  
MHYC Development Fund  
Replace Sandpiper Start Boat  
General Fund

### Financial Results for the year ended 31 December 2020

During the year the Foundation received \$153,632 in donations from Club members which together with interest income of \$2,382 provided funds to support grants of \$129,447 to the Club to assist funding for the upgrade of the Club entrance garden and the replacement of the start boat Sandpiper.

The Foundation has established an account and funds with the Australian Sports Foundation (ASF) to receive donations for the above Special Project Funds that provide the donors a tax deduction. The ASF charge a fee for this service which totalled \$7,274 for the year.

Net income for the year after expenses was \$14,737.

Net assets of the Foundation Trust at year end was \$136,601 compared with \$121,764 the previous year, held on account for the following Funds:

	2020	2019
FLYAS Fund	82,238	80,464
MHYC Revitalisation Fund	20,364	5,766
General Fund	33,999	35,534
<b>Total Funds</b>	<b>\$136,601</b>	<b>\$121,764</b>

Details of the Foundation's audited financial statements are available through the Club's web site.

The Foundations plans for the year ahead include fundraising to assist the Club's programme for the upgrade and renovation of the Sandbar and Club premises, continued support of youth sailing activities through the FLYAS Committee and funds to assist replacement of Club marine equipment. On behalf of the board we sincerely thank members for their generous donations and support of the Foundation and look forward to your assistance in contributing to our fundraising projects in meeting our and the Club's objectives over the next financial year.

# MIDDLE HARBOUR YACHT CLUB LIMITED

ABN: 95 000 248 887

## CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 30 April 2021



# DIRECTORS' REPORT

## FOR THE YEAR ENDED 30 APRIL 2021

The Directors present their report on Middle Harbour Yacht Club Limited for the financial year ended 30 April 2021.

### Directors

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

Names	Position
R Aldis	Director/Chairman
P Lewis	Director/Commodore
P Clinton	Director
N Drabsch	Director
E Hurt	Director
L McAllister	Director
S Lane	Director
J McCuaig	Director
N Morgan	Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Review of operations

The financial result for the year from ordinary activities was a profit of \$133,536 (2020: \$164,284 loss) after charging \$555,226 (2020: \$554,719) for depreciation and amortisation.

Profit before income tax, interest and depreciation for the year was \$979,253 (2020: \$686,750).

In accordance with AASB 16 Leases the Club has recognised an amortisation expense on right-of-use assets of \$125,192 (2020: \$114,310) and finance costs in relation to the lease liability of \$34,743 (2020: \$36,925).

### Principal activities

The principal activities of the company during the financial year were to provide facilities and services to promote the sport of sailing and boating activities.

No significant changes in the nature of the Club's activity occurred during the financial year.

### Indemnifying and Insurance of Officers

The company has provided for and paid premiums to the value of \$4,030 (2020: \$4,030) during the year for Management Liability Insurance. The insurance is in respect of legal liability for damages and legal costs with an annual aggregate limit of \$5,000,000 arising from claims made by reason of any omissions or acts (other than dishonesty) by them, whilst acting in their individual or collective capacity as directors or officers of the company, towards which the directors of the company contribute.

# DIRECTORS' REPORT

## FOR THE YEAR ENDED 30 APRIL 2021

### Information on directors

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

R Aldis	
Qualifications	Civil Engineer, BE (Civil), FAICD
Experience	Over 46 years' experience in the engineering and construction sector, spending 25 years with the Contractor, Leighton Group of Companies, and then 15 years as Managing Director of an Advisory business within the Infrastructure sector. Rob also holds nonexecutive roles within North West Road Group and WaterNSW.
P Lewis	
Experience	Retired businessman with successful corporate and small to medium business experience primarily in developing, manufacturing, positioning and marketing products and services locally and overseas.
P Clinton	
Qualifications	Certified Financial Planner, Accredited Estate Planning Strategist, Bachelor of Business in Accounting
Experience	Over 31 years experience in financial planning and is currently licensed through the Madison Financial Group and deals mainly with high net worth individuals and family groups.
N Drabsch	
Qualifications	Chartered Accountant, FCA,FAICD, FGIA, FCIS.
Experience	Practising chartered accountant for 25 years. Extensive experience as a senior executive in finance, tax, investments and funding in large international insurance companies for over 26 years including 21 years as CFO of QBE Insurance Group. Now retired and chairman of the Finance & Risk Committee.
E Hurt	
Qualifications	Master of Human Services Management and Policy, Master Project Director (MPD), GAICD
Experience	Career in project and operations management, alongside business consulting and nonexecutive roles. Corporate and notforprofit experience in finance and insurance, logistics, health and medical research sectors. Extensive experience in IT, HR, executive coaching and business transformation.
L McAllister	
Experience	23 years globally with The CocaCola Company (TCCC) operating across 72 Countries as (TCCC) Head of Marketing, R&D & M&A across Europe Eurasia & Middle East. (TCCC) President Scandinavia. (TCCC) Chief Marketing, Commercial & Customer Officer for CocaCola Japan. Managing Director of SanofiANZ. 3 years CEO & MD of McPherson's with experience as a Board Director for 7 companies across 6 countries across Europe, Asia, ANZ & Global.



# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 APRIL 2021

## Information on directors (cont'd)

S Lane	
Qualifications	Bachelor of Accounting and qualified Chartered Accountant
Experience	After completing articles with a major accounting firm in South Africa and the USA he has held senior positions in a number of companies both listed and non listed. He has invested in a number of private companies across a broad range of industries over the years and continues to consult and hold non executive board positions.
J McCuaig	
Qualifications	Diploma Financial Services, Fellow Financial Services Institute
Experience	32 Years Banking & Finance, 17 years operating own Finance Broking business.
N Morgan	
Qualifications	Bachelor of Science in Pharmacy
Experience	Over 21 years' experience as a Management Consultant providing consulting services across Europe, USA and Asia Pacific.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

## Meetings of directors

During the financial year, 12 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
R Aldis	12	12
P Lewis	12	11
P Clinton	12	12
N Drabsch	12	12
E Hurt	12	8
L McAllister	12	11
S Lane	12	10
J McCuaig	12	10
N Morgan	12	11

## Environmental issues

The Club's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 APRIL 2021

## Company Limited by Guarantee

Middle Harbour Yacht Club Limited is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each member and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$100 for all members, subject to the provisions of the company's constitution.

At 30 April 2021 the collective liability of members was \$ 131,400 (2020: \$ 134,000).

## Events after the reporting date

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

## Dividends

The company is a non-profit organisation and is prevented by its constitution from paying dividends.

## Proceedings on Behalf of the Company


No person has applied for leave of the Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.


The company was not a party to any such proceedings during the year.

## Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 April 2021 has been received and can be found on page 5 of the financial report.

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

Director:   
R Aldis

Director:   
P Lewis

Dated: 23 June 2021



AUDITOR’S INDEPENDENCE DECLARATION



Middle Harbour Yacht Club Limited  
ABN: 95 000 248 877

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of  
Middle Harbour Yacht Club Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 April 2021, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF  
PKF

SCOTT TOBUTT  
PARTNER

23 JUNE 2021  
SYDNEY, NSW

PKF(NS) Audit & Assurance Limited  
Partnership  
ABN 91 850 861 839

Liability limited by a scheme  
approved under Professional  
Standards Legislation

Sydney  
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Newcastle West NSW 2302 Australia  
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PKF(NS) Audit & Assurance Limited Partnership is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.  
For office locations visit [www.pkf.com.au](http://www.pkf.com.au)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 APRIL 2021

	Note	2021 \$	2020 \$
Revenue	4	3,368,474	3,784,740
Other income	4	758,289	73,018
Cost of sales		(403,072)	(484,387)
Employee benefits expense	5	(1,585,642)	(1,664,845)
Cleaning		(30,376)	(41,889)
Regatta and sponsorship expenses		(99,589)	(207,641)
Insurance		(162,318)	(164,898)
Rates and utilities		(106,209)	(130,276)
Rental and leasing outgoings		(150,955)	(31,514)
Repairs and maintenance		(316,816)	(137,465)
Other expenses		(292,533)	(308,093)
<b>Profit before income tax, interest and depreciation</b>		<b>979,253</b>	<b>686,750</b>
Finance costs		(290,491)	(296,315)
Depreciation expense		(430,034)	(440,409)
Amortisation of right-of-use assets		(125,192)	(114,310)
<b>Profit/(Loss) before income tax</b>		<b>133,536</b>	<b>(164,284)</b>
Income tax expense		-	-
<b>Profit/(Loss) for the year</b>		<b>133,536</b>	<b>(164,284)</b>
Other comprehensive profit/(loss) for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<b>133,536</b>	<b>(164,284)</b>

The accompanying notes form part of these financial statements.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 APRIL 2021

	Note	2021 \$	2020 \$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	6	960,968	416,168
Trade and other receivables	7	31,991	55,632
Inventories	8	33,807	55,635
<b>TOTAL CURRENT ASSETS</b>		<b>1,026,766</b>	527,435
NON-CURRENT ASSETS			
Trade and other receivables	7	81,689	81,689
Property, plant and equipment	9	11,580,380	11,678,142
Right-of-use asset	10	1,656,087	1,781,279
<b>TOTAL NON-CURRENT ASSETS</b>		<b>13,318,156</b>	13,541,110
<b>TOTAL ASSETS</b>		<b>14,344,922</b>	14,068,545
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	11	582,786	221,676
Borrowings	12	1,050,000	1,985,000
Provisions	13	80,395	60,884
Lease liabilities	10	111,720	111,720
Other liabilities	14	267,863	259,004
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,092,764</b>	2,638,284
NON-CURRENT LIABILITIES			
Borrowings	12	3,777,500	2,842,500
Lease liabilities	10	1,565,537	1,675,794
Provisions	13	23,440	20,063
Other liabilities	14	203,130	342,889
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>5,569,607</b>	4,881,246
<b>TOTAL LIABILITIES</b>		<b>7,662,371</b>	7,519,530
<b>NET ASSETS</b>		<b>6,682,551</b>	6,549,015
<b>EQUITY</b>			
Reserves		9,539,158	9,539,158
Accumulated losses		(2,856,607)	(2,990,143)
<b>TOTAL EQUITY</b>		<b>6,682,551</b>	6,549,015

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2021

	Accumulated losses \$	Asset Revaluation Reserve \$	Total \$
<b>Balance at 1 May 2020</b>	(2,990,143)	9,539,158	6,549,015
Profit for the year	133,536	-	133,536
<b>Balance at 30 April 2021</b>	<b>(2,856,607)</b>	<b>9,539,158</b>	<b>6,682,551</b>
<b>Balance at 1 May 2019</b>	(2,825,859)	9,539,158	6,713,299
Loss for the year	(164,284)	-	(164,284)
<b>Balance at 30 April 2020</b>	<b>(2,990,143)</b>	<b>9,539,158</b>	<b>6,549,015</b>

The accompanying notes form part of these financial statements.



## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 APRIL 2021

	Note	2021 \$	2020 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers		3,661,456	3,910,346
Payments to suppliers and employees		(3,143,267)	(3,610,558)
Interest received		3,674	5,511
Finance costs		(290,491)	(296,315)
Government grants		755,957	75,293
Net cash provided by operating activities	21	987,329	84,277
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		(332,272)	(129,445)
Net cash used in investing activities		(332,272)	(129,445)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net proceeds of borrowings		-	291,802
Repayment of lease liabilities		(110,257)	(109,498)
Net cash provided by/(used in) financing activities		(110,257)	182,304
Net increase in cash and cash equivalents held		544,800	137,136
Cash and cash equivalents at beginning of year		416,168	279,032
Cash and cash equivalents at end of financial year	6	960,968	416,168

The accompanying notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021

The financial report includes the consolidated financial statements and notes of Middle Harbour Yacht Club Limited (Parent) and controlled entities ('the Club'). Middle Harbour Yacht Club Limited is a not-for-profit Club limited by guarantee, incorporated and domiciled in Australia.

### 1 Basis of Preparation

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

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

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.

### 2 Summary of Significant Accounting Policies

#### (a) Going concern

The financial statements have been prepared on the going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business.

At 30 April 2021 the Club reported current liabilities of \$2,092,764 which was greater than current assets of \$1,026,766. This resulted in net current liabilities of \$1,065,998 (2020: \$2,110,849), of which \$1,050,000 (2020: \$1,985,000) related to loans repayable to debenture holders within the next 12 months.

The Directors are confident that the Club will be able to negotiate the roll-over, or reissue of these existing debenture loans. This is based on the fact that historically the Club has a proven track record of raising new debentures, and in addition the Club continues to receive ongoing support from its various stakeholders who actively participate in the debenture scheme.

The ability of the Club to continue as a going concern is dependent upon the Club continuing to achieve their projected trading budget and to successfully roll over or replace the debenture loans as they fall due. Although these conditions indicate the existence of an uncertainty which casts doubt over the Club's ability to continue as a going concern, the directors are confident that the Club will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021

## 2 Summary of Significant Accounting Policies (cont'd)

### (b) Principles of 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 an April financial year end.

A list of controlled entities is contained in Note 20 to the financial statements.

### (c) Revenue and other income

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods and services to customers at an amount that reflects the consideration of the Club expects to receive in exchange for those goods and services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price of the performance obligations
5. Recognise revenue as and when control performance obligations is transferred.

#### Rendering of services

Revenue from rendering services comprises revenue from memberships together with other services to members and other patrons of the Club and is recognised when the services are provided.

#### Rental income

Revenue from marina and moorings is recognised on a straight-line basis for leases with fixed rental increases. For all other leases, revenue is recognised when the Club has a right to receive the rent in accordance with the lease agreement.

Commercial property rental revenue is recognised on a straight-line basis over a period of lease terms as to reflect a constant periodic rate of return on the net investment.

#### Bar and catering revenue

Revenue from sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021

## 2 Summary of Significant Accounting Policies (cont'd)

### (c) Revenue and other income (cont'd)

#### Interest revenue

Interest is recognised using the effective interest method.

#### Government grants

Government grants are recognised when there is a reasonable certainty that the grant will be received and all grant conditions are met. Grants relating to expense items are recognised as income over the necessary periods to match the grant to the costs they are compensating.

Government grants include amounts received or receivable under the Federal Government JobKeeper payment scheme and Cash Flow Boost Scheme. This provided temporary subsidies to eligible businesses significantly affected by COVID-19.

### (d) 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 payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the consolidated statement of financial position.

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.

### (e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### (f) 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.

### (g) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or revaluation model less, where applicable, any accumulated depreciation and impairment as specified below.

#### Land and buildings

Property is measured using the revaluation model. Assets measured using the revaluation model are carried at fair value at the revaluation date less any subsequent accumulated depreciation and impairment losses. Revaluations are performed whenever there is a material movement in the value of an asset under the revaluation model.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021

## 2 Summary of Significant Accounting Policies (cont'd)

### (g) Property, plant and equipment (cont'd)

#### Plant and equipment

Plant and equipment are measured using the cost model. Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

#### Depreciation

The depreciable amount of all property, plant and equipment is depreciated on a straight-line method from the date that management determine that the asset is available for use.

Leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Leasehold premises	3.7%
Marina and Moorings	3.7%
Clubhouse	3.7%
Plant and Equipment	10%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

### (h) Financial instruments

Financial instruments are recognised initially on the date that the Club 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 Club classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021

## 2 Summary of Significant Accounting Policies (cont'd)

### (h) Financial instruments (cont'd)

#### Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Club'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.

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.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

Net gains or losses, including any interest or dividend income are recognised in profit or loss.

#### 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 Club 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 Club's historical experience and informed credit assessment and including forward looking information.

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021

### 2 Summary of Significant Accounting Policies (cont'd)

#### (h) Financial instruments (cont'd)

Credit losses are measured as the present value of the difference between the cash flows due to the Club 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 Club 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 Club 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.

##### *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 Club 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 Club comprise trade payables, bank and other loans and lease liabilities.

#### (i) Impairment of non-financial assets

At the end of each reporting year, the Club reviews the carrying values of its tangible and intangible 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. Value in use is either the discounted cash flows relating to the asset or depreciated replacement cost if the criteria of AASB 136 'Impairment of Assets' are met. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

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

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021

### 2 Summary of Significant Accounting Policies (cont'd)

#### (j) Income Tax

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

#### (k) 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 Club during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

#### (l) Leases

Lease liabilities are measured at the present value of the payments to be made over the lease term at the commencement of the lease are discounted using the lessee's incremental borrowing rate. The incremental borrowing rate is the rate that the Club would have to pay to borrow funds necessary to obtain an asset of similar value to the right-of-use ("ROU") asset in a similar economic environment, with similar terms, security and conditions. Application of the incremental borrowing rate is adopted where the interest rate implicit in the lease cannot be readily determined from the contract, which is generally the case for leases in the Club.

Lease payments due within 12 months are recognised within current lease liabilities; payments due after 12 months are recognised within non-current lease liabilities. Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest expense on the lease liability is a component of finance cost and is presented in the statement of profit and loss.

The short-term exemption will be applied to leases that are less than 12 months. These leases are recognised on a straight-line basis as an expense. Assets and liabilities arising from a lease are initially measured on a present value basis. lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021

### 2 Summary of Significant Accounting Policies (cont'd)

#### (m) Employee benefits

Provision is made for the Club's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than twelve months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Employee benefits are presented as current liabilities in the statement of financial position if the Club does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

Contributions are made by the Club to an employee superannuation fund and are charged as expenses when incurred.

#### (n) Adoption of new and revised accounting standards

The Club has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). There are no new and revised Accounting Standards and interpretations effective for the current year that are relevant to the Club.

### 3 Critical Accounting Estimates and Judgements

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

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

#### Key estimates - fair value of Marina and moorings, Leasehold premises and Clubhouse

The Club carries these assets at fair value with changes recognised in the revaluation reserve.

On 23 January 2013 the leasehold premises, marina and moorings and clubhouse development held by the Club were independently valued by Landmark White valuers.

On 1 January 2014 the marina and moorings were subsequently valued by the directors, following the completion of the marina extension, adopting the same assumptions as were used in the 2013 independent valuation.

On 30 April 2019 the Directors performed a valuation based on assessment of the current net commercial income of the marina and leasehold properties, considering income and expense items from the budget to the year to 30 April 2020 and allocating income and expenses relevant to the business units that would be available for sale based on vacant possession. The Director's assessment was based on a capitalisation rate of 9.5%.

The Directors performed a reassessment in the current year and found that the assessment as at 30 April 2019 is still valid.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021

### 3 Critical Accounting Estimates and Judgements (cont'd)

#### Key estimates - impairment of property, plant and equipment

The Club assesses impairment at the end of each reporting period by evaluating conditions specific to the Club that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

With respect to cash flow projections for marina and moorings based in Australia, growth rates of 2% to 2.5% have been factored into valuation models for the next 31 years on the basis of the lease to be renegotiated with NSW Maritime in 2022. The rates used incorporate allowance for inflation. Pre-tax discount rates of 9.5% to 10% have been used in all models.

#### Key judgements - Income tax exemption

The directors of the Club self-assess income tax exemption status each year by filling out the income tax exemption self-assessment form provided by the ATO. The directors assessed the Club as income tax exempted this financial year given its sporting nature and accumulated losses.

#### Key judgements - AASB 16 Leases

The directors of the club have made significant judgements regarding the recognition of leases and under AASB 16. Specifically these judgements relate to the incremental borrowing rate applied of 2% and the likelihood of a renewal of the lease agreement with NSW Maritime under the existing terms and conditions.

At the reporting date the terms and conditions for a renewal of the existing lease agreement are deemed to be reasonably uncertain. Management have therefore assessed the lease under AASB16 with an expected lease term until June 2034, in accordance with the original signed agreement dated 14 August 2009.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021

### 4 Revenue and Other Income

	2021	2020
	\$	\$
- Rendering of services	921,588	993,559
- Marina Rentals	1,455,703	1,492,479
- Mooring Rentals	32,665	35,046
- Bar and Catering revenue	674,226	1,037,022
- Other miscellaneous sales revenue	26,657	24,490
- Interest income	3,674	5,511
- Commercial rental income	128,150	184,233
- Donations	125,811	12,400
	<b>3,368,474</b>	<b>3,784,740</b>
<b>Other Income</b>		
- Other income/expenses	2,332	(2,275)
- Government grants	755,957	75,293
	<b>758,289</b>	<b>73,018</b>

### 5 Result for the Year

- Employee benefits expense	1,314,809	1,607,552
- Jobkeeper grant	270,833	57,293
	<b>1,585,642</b>	<b>1,664,845</b>

### 6 Cash and cash equivalents

Cash on hand	7,983	8,074
Cash at bank	952,985	408,094
	<b>960,968</b>	<b>416,168</b>

### 7 Trade and other receivables

<b>CURRENT</b>		
Trade receivables	8,902	15,787
Other receivables	23,089	39,845
	<b>31,991</b>	<b>55,632</b>
<b>NON-CURRENT</b>		
Term deposits	81,689	81,689

### 8 Inventories

<b>CURRENT</b>		
Merchandise stock, at cost	12,124	20,119
Bar stock, at cost	21,683	35,516
	<b>33,807</b>	<b>55,635</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021

### 9 Property, plant and equipment

Marina and Moorings		
At fair value	10,189,291	10,008,990
Less: accumulated depreciation	(660,905)	(330,904)
	<b>9,528,386</b>	<b>9,678,086</b>
 Leasehold premises		
At fair value	880,000	880,000
Less: accumulated depreciation	(58,747)	(29,414)
	<b>821,253</b>	<b>850,586</b>
 Clubhouse		
At fair value	970,000	970,000
Less: accumulated depreciation	(64,755)	(32,422)
	<b>905,245</b>	<b>937,578</b>
 <b>PLANT AND EQUIPMENT</b>		
Plant and equipment		
At cost	1,377,394	1,225,422
Less: accumulated depreciation	(1,051,898)	(1,013,530)
	<b>325,496</b>	<b>211,892</b>
 <b>Total property, plant and equipment</b>	<b>11,580,380</b>	<b>11,678,142</b>

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Leasehold premises	Marina and moorings	Plant and equipment	Clubhouse	Total
	\$	\$	\$	\$	\$
<b>2021</b>					
Balance at the beginning of year	850,586	9,678,086	211,892	937,578	11,678,142
Additions	-	180,300	151,972	-	332,272
Depreciation expense	(29,333)	(330,000)	(38,368)	(32,333)	(430,034)
<b>Balance at the end of the year</b>	<b>821,253</b>	<b>9,528,386</b>	<b>325,496</b>	<b>905,245</b>	<b>11,580,380</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021

### 10 Leases

#### Right-of-use assets

	2021	2020
	\$	\$
<b>Year ended 30 April 2021</b>		
Balance at beginning of year	1,781,279	-
Additions	-	1,895,589
Depreciation charge	(125,192)	(114,310)
<b>Balance at end of year</b>	<b>1,656,087</b>	<b>1,781,279</b>

#### Lease liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 year	1 - 5 years	> 5 years
	\$	\$	\$
<b>2021</b>			
Lease liabilities	111,720	473,858	1,091,679

### 11 Trade and other payables

#### Unsecured liabilities

Trade payables	163,214	40,286
Sundry payables and accrued expenses	419,572	181,390
	<b>582,786</b>	<b>221,676</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021

### 12 Borrowings

	2021	2020
	\$	\$
CURRENT		
Secured liabilities:		
Debentures	1,050,000	1,985,000
NON-CURRENT		
Secured liabilities:		
Debentures	3,777,500	2,842,500
<b>Collateral Provided</b>		

Debentures are secured by a first mortgage over the assets of the Club. The carrying amounts of non-current assets pledged as security are:

- Marina and Moorings	9,457,027	9,678,086
- Leasehold premises and club house	1,726,498	1,788,164
- Other property plant and equipment	325,496	211,892
	<b>11,509,021</b>	<b>11,678,142</b>

### 13 Provisions

CURRENT		
Employee entitlements	80,395	60,884
NON-CURRENT		
Employee entitlements	23,440	20,063
Movement in carrying amounts		

Opening balance at 1 May 2020

Additional provisions

Provisions used

**Balance at 30 April 2021**

Annual Leave	Long Service Leave	Total
\$	\$	\$
60,884	20,063	80,947
52,550	3,377	55,927
(33,039)	-	(33,039)
<b>80,395</b>	<b>23,440</b>	<b>103,835</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021

### 14 Other liabilities

	2021 \$	2020 \$
CURRENT		
POS liability	20,461	20,797
Customer deposits	57,816	56,157
Prepaid berths guarantee fees	189,586	182,050
	<u>267,863</u>	<u>259,004</u>
NON-CURRENT		
Prepaid berths guarantee fees	203,130	342,889

### 15 Financial Risk Management

The main risks the Club is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk.

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

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows

#### Financial Assets

*Held at amortised cost*

Cash and cash equivalents	960,968	416,168
Trade and other receivables	113,680	137,321
<b>Total financial assets</b>	<u>1,074,648</u>	<u>553,489</u>

#### Financial liabilities

*Held at amortised cost*

Trade and other payables	582,786	221,676
Borrowings	4,827,500	4,827,500
<b>Total financial liabilities</b>	<u>5,410,286</u>	<u>5,049,176</u>

### 16 Key Management Personnel Remuneration

The totals of remuneration paid to the key management personnel of Middle Harbour Yacht Club Limited during the year are as follows:

	2021 \$	2020 \$
Short-term employee benefits	147,254	159,302
Long-term benefits	13,989	15,134
	<u>161,243</u>	<u>174,436</u>

For details of other transactions with key management personnel, refer to Note 17: Related Party Transactions.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021

### 17 Related Parties

#### (a) The Club's main related parties are as follows:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 16: Key Management Personnel Compensation.

#### (b) Other related parties

Other related parties include immediate family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel, individually or collectively with their immediate family members.

#### (c) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The following transactions occurred with related parties:

	2021 \$	2020 \$
<b>(i) Revenue from services</b>		
Revenue from amortisation of long term licence fees and annual maintenance fees from Directors/Directors related entities	-	511
Revenue from monthly berth fees from Directors/Directors related entities	51,750	49,768
	<u>51,750</u>	<u>50,279</u>
<b>(ii) Debentures</b>		
Debentures held with Directors/Directors related entities	375,000	345,000
Debentures interest paid/payable to Directors/Directors related entities	18,157	16,774

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021

### 18 Fair Value Measurement

The Club measures the following assets and liabilities at fair value on a recurring basis:

- Property, plant and equipment
  - Marina and Moorings
  - Clubhouse
  - Leasehold Improvements

The Club does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements.

	Total \$
<b>30 April 2021</b>	
<b>Recurring fair value measurements</b>	
<b>Property, plant and equipment</b>	
Marina and Moorings	9,900,000
Clubhouse	970,000
Leasehold Improvements	880,000
	<u><u>11,750,000</u></u>

#### Valuation techniques used to determine fair values

In the prior year the directors reassessed the assumptions adopted in the 2013 independent valuation of the Marina and Moorings, Leasehold premises and Clubhouse. The directors' performed a valuation at 30 April 2019 and based it on assessment of the current net commercial income of the marina and leasehold properties, considering income and expense items from the budget for the year to 30 April 2022 and allocating income and expenses relevant to the business units that would be available for sale based on vacant possession. The directors' assessment was based on a capitalisation rate of 9.5%. The directors performed a reassessment in the current year and found that the assessment as at 30 April 2019 is still valid.

### 19 Contingencies

Estimates of the potential financial effect of contingent liabilities that may become payable.

#### Bank guarantee

Middle Harbour Yacht Club Limited had the following security deposits held with Westpac, classified as term receivables within trade and other receivables:

- \$81,689 in respect of their Maritime Service account (2020: \$81,689).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021

### 20 Controlled Entities

	Principal place of business / Country of Incorporation	Percentage Owned (%) <sup>*</sup> 2021	Percentage Owned (%) <sup>*</sup> 2020
<b>Parent Entity:</b>			
Middle Harbour Yacht Club	Australia	100	100
<b>Subsidiaries:</b>			
MHYC Holdings Pty Limited	Australia	100	100
MHYC Marina Management Pty Limited	Australia	100	100
MHYC Foundation Pty Ltd	Australia	100	100

<sup>\*</sup>The percentage of ownership is in proportion to ownership.

### 21 Cash Flow Information

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

	2021 \$	2020 \$
Profit/(Loss) for the year	133,536	(164,284)
Non-cash flows in profit:		
- depreciation	555,226	554,719
Changes in assets and liabilities:		
- decrease in trade and other receivables	23,641	1,730
- decrease in inventories	21,828	34,055
- increase/(decrease) in trade and other payables	361,110	(145,074)
- decrease in other liabilities	(130,900)	(173,376)
- increase/(decrease) in provisions	22,888	(23,493)
Cashflows from operations	<u><u>987,329</u></u>	<u><u>84,277</u></u>

### 22 Events after the end of the Reporting Period

The financial report was authorised for issue on 23 June 2021 by the Board of Directors.

On the 11 May 2021 the club committed to the estimated cost of \$286,782 (GST inc) for the renovation to the sandbar. The build is expected to commence in the 2022 financial year.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Club, the results of those operations or the state of affairs of the Club in future financial years.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021

## 23 Company Details

The registered office of and principal place of business of the Club is:  
Middle Harbour Yacht Club Limited  
Lower Parriwi Road  
The Spit  
Mosman NSW 2088

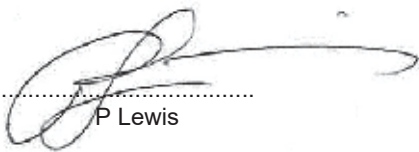
# DIRECTORS' DECLARATION

The directors of the entity declare that:

- 1. The financial statements and notes, as set out on pages 6 to 27, are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
  - (b) give a true and fair view of the financial position as at 30 April 2021 and of the performance for the year ended on that date of the entity.
- 2. In the directors' opinion, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

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

Director:   
R Aldis

Director:   
P Lewis

Dated: 23 June 2021

MIDDLE HARBOUR YACHT CLUB LIMITED

ABN: 95 000 248 887

INDEPENDENT AUDITOR'S REPORT

For the Year Ended 30 April 2021



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MIDDLE HARBOUR YACHT CLUB LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Middle Harbour Yacht Club Limited (the Company), which comprises the statement of financial position as at 30 April 2021, the consolidated statement of profit or loss and other comprehensive income, 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 directors' declaration.

In our opinion, the accompanying financial report of Middle Harbour Yacht Club Limited, is in accordance with the *Corporations Act 2001*, including:

- (a) Giving a true and fair view of the company's financial position as at 30 April 2021, and of its financial performance for the year then ended; and
- (b) Complying with the Australian Accounting Standards – Reduced Disclosure Requirements and *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

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

Independence

We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (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 confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

PKF(NS) Audit & Assurance Limited  
Partnership  
ABN 91 850 861 839

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## Emphasis of Matter - Going Concern

Without qualification to the opinion expressed above, we draw attention to Note 2(a) in the financial report which indicates the Company is in a net current liability position of \$1,065,998 at 30 April 2021. The Company's ability to continue as a going concern is contingent upon its ability to achieve its projected trading budget and to successfully renegotiate or replace the debenture loans as they fall due.

These conditions indicate the existence of an uncertainty which may cast doubt over the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 April 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

## Responsibilities of the Directors for the Financial Report

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

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

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.

PKF

PKF

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SCOTT TOBUTT  
PARTNER

23 June 2021  
SYDNEY, NSW

