ITEM NUMBER: 10.1

CONFIDENTIAL REPORT

LOAN RECEIVABLES

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

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

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

1. That pursuant to Section 90(2) of the *Local Government Act 1999* Audit and Risk Committee hereby orders that the public be excluded from attendance at this meeting with the exception of the Staff in attendance at the meeting in order to consider Report No: 267/23 Loan Receivables in confidence.

2. That in accordance with Section 90(3) of the *Local Government Act 1999* the Audit and Risk Committee is satisfied that it is necessary that the public be excluded to consider the information contained in Report No: 267/23 Loan Receivables on the following grounds:

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

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

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

Item No: 10.1

Subject: **LOAN RECEIVABLES**

Date: 16 August 2023

Written By: Manager Finance

A/General Manager: Strategy and Corporate, Ms S Wachtel

SUMMARY

In order to complete the financial statements for the year ended 30 June 2023 an assessment is required of community loans that are owed to Council and whether there is any objective evidence that they will not be fully repaid. This assessment has been done and it is presented to the Audit and Risk Committee for review.

RECOMMENDATION

That the Audit and Risk Committee advises Council that:

1. it has received and considered an assessment of community loans receivable as at 30 June 2023;

2. the current impairment amount of $517,780 be maintained for impairment of community loans receivable as at 30 June 2023;

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

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

4.. that having considered Agenda Item 10.1 Loan Receivables (Report No: 267/23) in confidence under Section 90(2) and (3)(d) of the *Local Government Act 1999*, the Audit and Risk Committee, pursuant to Section 91(7) of that Act orders that the report, attachment and minutes, be retained in confidence for a period of six months and the Chief Executive Officer is authorised to release the documents when the Audited Financial Statements are presented to Council.

STRATEGIC PLAN

Statutory requirement

COUNCIL POLICY

Not applicable

STATUTORY PROVISIONS

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

BACKGROUND

The 2022/23 financial statements will include amounts for loans receivable from community clubs. These will include current receivables and gross financial assets and will total $1,360,107.

During 2022/23 repayments were made totaling $270,489 which included $233,333 SANFL Land Divestment Fund payment for the Glenelg Football Club loan and a one-off additional $20,000 repayment for the Somerton Bowling Club loan. With the exception of the Glenelg Football Club, all community club loans are being repaid in accordance with their respective repayment schedules.

As at 30 June 2023 the Glenelg Football Club owed Council $1,229,922. The background and details of the Glenelg Football Club loans are discussed as part of this report.

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

REPORT

Background - Glenelg Football Club Loans

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

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

The Club had met its principal and interest payments up to October 2012 at which point the Club approached Council to restructure its loans including a 2-year interest-only term, to which Council agreed. In 2016, Council re-affirmed its commitment to support the Club in its objective of long-term sustainability and agreed to an arrangement, which involved the Club, SANFL and ANZ, to reach an outcome that would result in the repayment of the debt over time (Motion C131216/622). The Council has re-affirmed this arrangement in subsequent Council decisions in 2017 and 2019 (Motions C230517/787 and C221019/1658).

Previously granted Council Financial Concessions Granted to the Glenelg Football Club

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

- Reduction in annual lease from $72,000 to $40,000 (including GST) up to 31 October 2023 (C121316/622, C221019/1658 and C141221/2502);

- Acceptance of SANFL dividend sharing scheme as per a SANFL timetable (C230517/787) – resulting in a principal reduction of $1,274,666;

- Write off of past interest owed and future interest up to 31 October 2019 on loans advanced to the Club (C230517/787);

- Not charge interest on existing borrowings from October 2019 to October 2023 (C221019/1658 and C141221/2502);

- Review the ability of the Club to pay remainder of loan outstanding after the final SANFL dividend instalment (C230517/787 and C221019/1658).

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

Glenelg Football Club – 2022/23 Loan Receivable Assessment

The amounts owed by the Glenelg Football Club are recorded in the financial statements of Council as a current receivable and a financial asset. As at 30 June 2023 the total amount recorded as owing from the Club is $1,229,922 with an impairment provision of $517,780.

Glenelg Football Club Financial Results – year ended 31 October 2022.

The consolidated financial results for the Glenelg Football Club for the year ended 31 October 2022 have been audited and are attached. They have been assessed using common financial performance ratio analysis. The results are summarised as follows:

Refer Attachment 1

<u>Liquidity Ratio</u>

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

Consolidated result	***Period ended***	
	31/10/2022	***31/10/2021***
Current Assets	$1,172,954	$1,247,435
Current Liabilities	$1,319,848	$1,236,424
Current Ratio	**0.89**	**1.01**

Solvency Ratios

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

Consolidated result	***Period ended***	
	31/10/2022	***31/10/2021***
Long term debt	$1,306,741	$1,644,887
Total liabilities plus member funds	$7,447,848	$7,257,105
Percentage	**18%**	**23%**

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

Consolidated result	***Period ended***	
	31/10/2022	***31/10/2021***
Long term liabilities	$1,463,885	$1,836,267
Member funds	$4,664,115	$4,184,414
Ratio	**0.31**	**0.44**

Profitability Ratios

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

Consolidated result	***Period ended***	
	31/10/2022	***31/10/2021***
Net income	$479,701	$736,895
Total revenues	$5,435,133	$5,712,931
Percentage	**9%**	**13%**

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

- The net profit decreased by $257,194.
- The major reason for a decrease in income was due to the cessation of COVID support of $311,307. Smaller reductions in venue and gaming revenue occurred but these were offset by an increase in football and other income.
- Improved net assets position $479,701.
- Reduced cash position by $59,709 to $936,768.

Financial forecast and assumptions

The forecast and sustainability assumptions for 2022/23 are largely unchanged from prior years and are as follows:

- The Club will be in existence for at least the next 10 years in order to receive the final SANFL Land Divestment proceeds and make loan repayments on existing loans.
- The final payment due from the SANFL Land Divestment Fund will be applied to repaying Council debt in accordance with the Deed of Priority and agreed SANFL arrangements.
- All existing loans with the Club are due for review in 2023/24 with the intention to be refinanced over ten years at the current LGFA CAD variable interest rate (currently 5.68%).
- The Club will commence principal and interest repayments on remaining loans after all the SANFL proceeds have been distributed and applied.
- No additional loans will be advanced to the Club from Council to maintain the Club's financial viability noting that while the Council is committed to supporting the Club it has not yet determined its future lending strategy to the Club.

The Club is currently estimating small cash surpluses in future years with a modest increase in revenue offset by increased expenditure costs.

Glenelg Football Club - Loan Amount Owed

The amount owed by the Glenelg Football Club is recorded in the financial statements of Council as a financial asset. As at 30 June 2023 the total amount recorded as owing from the Club is $1,229,922. After the final tranche is received in October 2023 the principal amount owing from the Club is forecast to be $1,029,922.

Loan Receivables – Accounting Standard Requirements

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

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

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

The impairment amount was reviewed for the 2016/17 financial statements by the Audit Committee (Report No: 290/17) noting that Council's financial commitments and strategies had supported the long-term financial viability of the Club. The report included an updated present value model based on revised assumptions using an original effective interest rate of 6.66%. The amount of impairment was increased by $117,780 to $517,780.

Annual reviews have been conducted and since 2017/18 the impairment amounts have been maintained at $517,780 (Report Nos: 298/18; 325/19; 346/20; 269/21; 345/22).

Impairment calculation and effective interest rate

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

Present Value Cash Flow Model

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

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

Using this model the impairment provision is calculated at $99,444 being an effective reduction of $418,336, on the current impairment provision of $517,780. However, this is based on the assumption that the Club will repay the full remaining balance of the loan over the next ten years, along with interest at a rate of 5.68%. It should also be noted that the outstanding loan balance has only reduced in recent years due to the $1.27 million of divestment payments received from SANFL. No principal repayments have been received directly from the Club since 2012.

Council has recently established a Working Group, consisting of members of both Glenelg Football Club and City of Holdfast Bay, to ensure the Club's long-term sustainability. Part of the role of this group is to establish the financial capacity of the Club to make repayments of the loan once the final SANFL disbursement has been received in October 2023.

Given the Club's previous financial performance, conservative budget forecasts, and that the Working Group has yet to establish its ability to pay, it is considered prudent to maintain the current impairment provision at $517,780. The provision amount and assumptions will continue to be assessed annually.

BUDGET

This report is recommending that the provision for impairment be maintained at $517,780. This will not affect the 2022/23 operating result or the provision for impairment in the Statement of Financial Position.

LIFE CYCLE COSTS

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

Glenelg Football Club Inc and Controlled Entities

ABN 94 586 591 723

Financial Statements - 31 October 2022

Glenelg Football Club Inc and Controlled Entities
Contents
31 October 2022

Glenelg Football Club Inc and Controlled Entities
Statement of profit or loss and other comprehensive income
For the year ended 31 October 2022

	Note	Consolidated 2022 $	2021 $
Revenue			
Football income	3	1,055,493	899,993
Net venue income	4	1,315,197	1,449,689
Net gaming revenue	5	1,716,235	1,890,075
Other income	6	566,959	744,694
Net membership income		134,926	142,559
Net sponsorship income		455,298	399,264
Net fundraising & coterie groups income		121,918	70,343
Net merchandise sales		57,571	98,527
Grants and donations		11,536	17,787
		5,435,133	5,712,931
Expenses			
Depreciation expense		(320,951)	(293,496)
Finance costs		(33,048)	(10,423)
Employee benefits expense		(1,279,497)	(1,276,620)
Senior and junior football		(1,203,091)	(1,160,919)
Gaming expenses		(725,939)	(801,606)
Bar expenses		(20,598)	(21,828)
Kitchen expenses		(59,641)	(61,566)
Sales reduction		(106,173)	(129,291)
Occupancy expenses		(288,167)	(257,012)
Function expenses		(21,322)	(24,044)
Office and administration expenses		(897,005)	(939,231)
		(4,955,432)	(4,976,036)
Surplus for the year		479,701	736,895
Other comprehensive income for the year		-	-
Total comprehensive income for the year		479,701	736,895

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

Glenelg Football Club Inc and Controlled Entities
Statement of financial position
As at 31 October 2022

	Note	Consolidated 2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	7	936,768	996,477
Trade and other receivables		125,384	110,756
Inventories		102,576	123,862
Prepayments and other receivables		8,226	16,340
Total current assets		1,172,954	1,247,435
Non-current assets			
Property, plant and equipment	9	5,340,287	5,265,588
Right-of-use assets	8	169,594	204,082
Intangibles	10	765,013	540,000
Total non-current assets		6,274,894	6,009,670
Total assets		7,447,848	7,257,105
Liabilities			
Current liabilities			
Trade and other payables	11	517,009	502,516
Borrowings	12	458,272	437,703
Lease liabilities	13	34,236	28,804
Employee benefits	14	170,031	152,401
Income received in advance		140,300	115,000
Total current liabilities		1,319,848	1,236,424
Non-current liabilities			
Borrowings	12	1,306,741	1,644,887
Lease liabilities	13	157,144	191,380
Total non-current liabilities		1,463,885	1,836,267
Total liabilities		2,783,733	3,072,691
Net assets		4,664,115	4,184,414
Equity			
Reserves	15	2,984,552	2,984,552
Retained surpluses		1,679,563	1,199,862
Total equity		4,664,115	4,184,414

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

Glenelg Football Club Inc and Controlled Entities
Statement of changes in equity
For the year ended 31 October 2022

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

Consolidated	Ossie Amies Trust Fund $	Stan Wickham Memorial Trust Fund $	Asset Revaluation Reserve $	Retained Earnings $	Total equity $
Balance at 1 November 2021	51,013	3,539	2,930,000	1,199,862	4,184,414
Surplus for the year	-	-	-	479,701	479,701
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	479,701	479,701
Balance at 31 October 2022	51,013	3,539	2,930,000	1,679,563	4,664,115

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

Glenelg Football Club Inc and Controlled Entities
Statement of cash flows
For the year ended 31 October 2022

	Note	Consolidated 2022 $	2021 $
Cash flows from operating activities			
Receipts from football and sponsorship		1,797,532	1,389,229
Receipts from fundraising and merchandise		157,868	124,607
Receipts from government		-	393,549
Receipts from customers		4,643,678	4,103,187
Payments to suppliers and employees		(5,947,227)	(5,336,779)
Finance costs		(24,765)	(31,028)
Net cash from operating activities	19	627,086	642,765
Cash flows from investing activities			
Payments for property, plant and equipment		(361,162)	(321,663)
Proceeds from disposal of property, plant and equipment		29,031	35,000
Net cash used in investing activities		(332,131)	(286,663)
Cash flows from financing activities			
Proceeds from borrowings		-	150,000
Repayment of borrowings		(399,417)	(428,207)
Repayment of lease liabilities		(37,087)	(36,360)
Net proceeds from / (repayment of) asset financing		81,840	(85,073)
Net cash used in financing activities		(354,664)	(399,640)
Net decrease in cash and cash equivalents		(59,709)	(43,538)
Cash and cash equivalents at the beginning of the financial year		996,477	1,040,015
Cash and cash equivalents at the end of the financial year	7	936,768	996,477

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

Note 1. General information

The financial statements cover Glenelg Football Club Inc and Controlled Entities as an individual entity. The financial statements are presented in Australian dollars, which is Glenelg Football Club Inc and Controlled Entities 's functional and presentation currency.

Glenelg Football Club Inc and Controlled Entities is a not-for-profit group incorporated incorporated and domiciled in Australia. Its registered office and principal place of business is:

ACH Group Stadium - Brighton Road
Glenelg East SA 5045

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

In the Board Members' opinion, the consolidated entity is not a reporting entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared for the purposes of complying with the South Australian legislation the Associations Incorporation Act 1985. The Board Members have determined that the accounting policies adopted are appropriate to meet the needs of the Members of Glenelg Football Club Inc and Controlled Entities .

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1048 'Interpretation of Standards' and AASB 1054 'Australian Additional Disclosures'.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Glenelg Football Club Inc and Controlled Entities ('incorporated association' or 'parent entity') as at 31 October 2022 and the results of all subsidiaries for the year then ended. Glenelg Football Club Inc and Controlled Entities and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Note 2. Significant accounting policies (continued)

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Membership fees income
Revenue from membership fees is recognised on a straight line basis over the period of membership.

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

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
As the consolidated entity is a tax exempt institution in terms of subsection 50-10 of the Income Tax Assessment Act 1997, as amended, it is exempt from paying income tax.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

Note 2. Significant accounting policies (continued)

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Inventories
Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment
Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Note 2. Significant accounting policies (continued)

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Note 2. Significant accounting policies (continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 3. Football income

	Consolidated	
	2022	2021
	$	$
SANFL Distributions	569,970	515,170
SANFL land divestment	350,000	300,000
Junior football	135,523	84,823
	1,055,493	899,993

Note 4. Net venue income

	Consolidated 2022 $	Consolidated 2021 $
Bar sales	1,089,938	1,150,945
Cost of sales - Bar	(403,000)	(390,904)
Kitchen sales	955,100	1,037,394
Cost of sales - Kitchen	(326,841)	(347,746)
	1,315,197	1,449,689

Note 5. Net gaming revenue

	Consolidated 2022 $	Consolidated 2021 $
Net gaming revenue	1,716,235	1,890,075
Turnover on gaming machines ($)	21,585,873	22,744,819
Less: 'Wins' returned to players ($)	(19,702,691)	(20,665,737)
Net receipts including GST ($)	1,883,182	2,079,082
Net receipts excluding GST ($)	1,716,235	1,890,075
Net receipts (%)	8.71	9.14
Number of gaming machines	36.00	36.00
Gaming tax paid	538,894.00	610,951.00
Gaming tax % of net receipts	31.40	29.39

Note 6. Other income

	Consolidated 2022 $	Consolidated 2021 $
COVID19 Jobkeeper	-	305,307
COVID19 State government support	-	6,000
Keno income	6,412	5,383
Function hire income	14,302	8,737
Gain on disposal of plant and equipment	29,031	35,000
Rental income	118,508	113,683
Other income	173,693	81,508
Gain on gaming machine entitlement revaluation	225,013	189,076
	566,959	744,694

Note 7. Cash and cash equivalents

	Consolidated 2022 $	Consolidated 2021 $
Current assets		
Cash on hand	89,996	89,770
Bank balances	846,772	906,707
	936,768	996,477

Note 8. Right-of-use assets

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

	Consolidated 2022 $	Consolidated 2021 $
Non-current assets		
Land and buildings - right-of-use	273,058	273,058
Less: Accumulated depreciation	(103,464)	(68,976)
	169,594	204,082

There were no additions to the right-of-use assets during the year and depreciation charged to profit or loss was $34,488.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	Consolidated 2022 $	Consolidated 2021 $
Interest expenses on lease liabilities	8,283	9,395

Note 9. Property, plant and equipment

	Consolidated 2022 $	Consolidated 2021 $
Non-current assets		
Leasehold improvements - at fair value	4,832,196	4,651,087
Less: Accumulated depreciation	(282,202)	(186,145)
	4,549,994	4,464,942
Plant and equipment - at cost	2,134,328	2,316,407
Less: Accumulated depreciation	(1,346,036)	(1,522,999)
	788,292	793,408
Motor vehicles - at cost	19,991	62,880
Less: Accumulated depreciation	(17,990)	(55,642)
	2,001	7,238
	5,340,287	5,265,588

Note 10. Intangibles

	Consolidated 2022 $	Consolidated 2021 $
Non-current assets		
Gaming machine entitlements at fair value	765,013	540,000

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

Each entitlement is valued at $28,333.83, however in accordance with the Gaming Machines (Miscellaneous) Amendment Act 2004 which states that 25% of entitlements will be withheld if sold, the Board has valued each entitlement at $21,250.37.

Note 11. Trade and other payables

	Consolidated 2022 $	Consolidated 2021 $
Current liabilities		
Trade payables	342,448	343,813
Sundry creditors and accruals	174,561	154,649
Other payables	-	4,054
	517,009	502,516

Note 12. Borrowings

	Consolidated 2022 $	Consolidated 2021 $
Current liabilities		
Asset finance liabilities	107,477	38,285
City of Holdfast Bay Council debenture loans	200,000	233,333
SANFL loan	50,795	49,418
ANZ business loan	100,000	116,667
	458,272	437,703
Non-current liabilities		
ANZ business loan	227,667	327,666
SANFL loan	21,580	72,375
Asset finance liabilities	27,571	14,923
City of Holdfast Bay Council debenture loans	1,029,923	1,229,923
	1,306,741	1,644,887
	1,765,013	2,082,590

Note 12. Borrowings (continued)

The Group has borrowing facilities with the ANZ Banking Group, which includes a Business loan of $327,667 and Overdraft Facility with a limit of $160,000.These facilities will expire on 30 November 2023

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

The ANZ Business Loan and the principal amount payable to the City of Holdfast Bay will reduce by $100,000 and $200,000 respectively next financial year as part of the 2023 distribution of SANFL Land Divestment Funds. The two parties also have an agreement with the Group which will see the remaining SANFL Land Divestment Funds to October 2023 used directly to repay the debt.

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

Note 13. Lease liabilities

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

	Consolidated	
	2022	**2021**
	$	**$**
Current liabilities		
Lease liability	34,236	28,804
Non-current liabilities		
Lease liability	157,144	191,380
	191,380	220,184

Note 14. Employee benefits

	Consolidated	
	2022	**2021**
	$	**$**
Current liabilities		
Annual leave	81,468	86,514
Long service leave	88,563	65,887
	170,031	152,401

Note 15. Reserves

	Consolidated	
	2022	**2021**
	$	**$**
Asset revaluation reserve	2,930,000	2,930,000
Other reserves	54,552	54,552
	2,984,552	2,984,552

Note 16. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**2022 %**	**2021 %**
Glenelg Football Club Trust	Australia	-	-
Glenelg Footballers Club Inc.	Australia	100.00%	100.00%

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

Note 17. Contingencies

In the opinion of the Members of the Board, the Group did not have any contingencies at 31 October 2022 (31 October 2021:None).

Note 18. Related party transactions

(a) Board of Directors

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

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

(b) Remuneration of Directors

The Directors in office during the year ended 31 October 2022 did not receive any remuneration for their services.

Note 19. Reconciliation of surplus to net cash from operating activities

	Consolidated	
	2022	2021
	$	$
Surplus for the year	479,701	736,895
Adjustments for:		
Depreciation and amortisation	320,951	293,496
Net gain on disposal of property, plant and equipment	(29,031)	(35,000)
Gain in revaluation of gaming machine entitlement	(225,013)	(189,076)
Interest and other expenses on AASB 16 leases	8,283	17,974
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(14,628)	50,802
Decrease/(increase) in inventories	21,286	(44,526)
Decrease in prepayments	8,114	350
Increase/(decrease) in trade and other payables	14,493	(52,754)
Increase in employee benefits	17,630	49,604
Increase in income in advance	25,300	(185,000)
Net cash from operating activities	627,086	642,765

Note 20. Events after the reporting period

No matter or circumstance has arisen since 31 October 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Glenelg Football Club Inc and Controlled Entities
Board Members' report
31 October 2022

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

In the opinion of the Board the financial report as set out on pages 2 to 16:

1. Presents fairly the results of the operations of Glenelg Football Club Inc and Controlled Entities as at 31 October 2022 and the state of its affairs for the year ended on that date.

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

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

President

Vice President

31 January 2023

Glenelg Football Club Inc and Controlled Entities

Independent auditor's report to members

Report on the Audit of the Financial Statements

Opinion

We have audited the financial report of Glenelg Football Club Inc. (the Association and its controlled entities (the Group)), which comprises the consolidated statement of financial position as at 31 October 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the statement by the Board.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Group as at 31 October 2022, and its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 2 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist Glenelg Football Club Inc. and its Controlled Entities to meet the requirements of the members. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:
https://auasb.gov.au/auditors_responsibilities/ar4.pdf

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

William Buck

William Buck (SA)
ABN 38 280 203 274

G.W. Martinella
Partner

Adelaide, 31st January 2023