

# GUIDELINES FOR FINANCIAL REPORTING



## 1. Purpose

The purpose of this Guideline is to improve the accuracy and transparency of Club financial reporting.

The guideline informs Clubs on their legal financial reporting obligations, and suggests ways of improving the flow of financial information to members.

A comprehensive model set of financial accounts will be made available at [www.clubsnsw.com.au](http://www.clubsnsw.com.au)

## 2. Application

This guideline should apply to all Boards of Clubs and their management teams from 1 July 2005.

## 3. Definitions

**“Controlled contract”** as per the Registered Clubs Act is any contract with a director or top executive or a company in which a director or top executive has a pecuniary interest; or any contract with the Club for the provision of professional advice (other than legal advice or advice provided by a registered liquidator) relating to any of the following matters:

- significant changes to the management and structure of the Club or the governance of the Club;
- significant changes to the financial management of the Club;
- the disposal of real property owned by the Club;
- or
- the amalgamation of the Club with another Club.

## 4. Guiding Principles

Financial reports should be prepared in accordance with Accounting Standards and all mandatory professional reporting requirements and the Corporations Act 2001.

Reports should cover the Club and any other Club or entity it controls.

To the extent possible, all ClubsNSW members should aspire to a common set of benchmarks for financial reporting that constitute industry best practice.

## 5. Background

The various Acts and accounting and auditing standards spell out the information that must be declared in a set of published financial accounts. Clubs that adhere to the provisions of legislation and standards will provide their members and other stakeholders with sufficient information in order to ascertain the financial performance of the Club as well as its financial viability.

While there is a great deal of commonality among Clubs (e.g. revenues from bar sales, gaming





machines, membership fees, etc) there is also a great deal of diversity. Apart from the fact that some Clubs may be RSLs, some bowling, some golf, some leagues, some sporting and some ethnic, they often have differences that may affect their respective chart of accounts. This is compounded by the fact that some Clubs are large while others are small, and many are members of an amalgamated entity. Additionally, some may derive revenues from other non Club business activities.

This Guideline has been developed in the full knowledge that a single, industry-wide, standardised set of accounts will be difficult to achieve. Nevertheless, it is considered that an industry best practice benchmark ought to be established as a model to which all Members of ClubsNSW should aspire.

### 6. Report required by the Registered Clubs Act

Clubs are required to provide a written report to members each financial year on the following:

- a) details of declarations of material personal interests by directors
- b) details of declarations of gifts received by directors, top executives and employees
- c) the number of top executives whose total remuneration is equal to or more than \$100,000 per annum disclosed in successive bands of \$10,000.
- d) Details (including the main purpose) of any overseas travel by a director or employee of the Club including costs wholly or partly met by the Club for the director or employee and any other person.
- e) Details of any loan in excess of \$1,000 (or which added to other loans amounts to \$1,000 or more) made to an employee of the Club, the amount of the loan and interest rate if any.
- f) Details of any contract for remuneration of a top executive approved during the financial year
- g) Details of any controlled contracts (see below for what is a controlled contract)

h) The name of any employee of the Club who is a close relative of a director or a top executive and the amount of the remuneration package paid to that employee.

i) Details of any amount of \$30,000 or more paid to a particular consultant including the name of the consultant and the nature of the services.

j) The total amount paid to consultants other than those over \$30,000 covered by the preceding disclosure.

k) Details of any settlement made with a director of the Club or an employee of the Club as a result of any legal dispute and the amount of any legal costs by the director or employee that were paid or are payable by the Club. However, this disclosure is not required if it breaches a confidentiality agreement.

l) Details of any legal fees paid by the Club on behalf of a director or any employee of the Club.

m) The total revenue from gaming during the period of 12 months ending 31 August each year;<sup>1</sup>

n) The amount applied to community development and support during the 12 months ending 31 August each year.<sup>2</sup>

This information must be sent to members within four months of the end of the financial year to correspond with the requirements of the Corporations Act to provide members with copies of the Club's annual report within the same period.

Members cannot opt out of receiving this information as is the case with the annual report of a Club. The information:

- i) must be sent within four months after the end of the financial year to which the information relates;
- ii) may be sent in electronic form to a member of the Club who has provided an e-mail address to the Club for that purpose;
- iii) if more than one member of the Club reside at the same address and those members consent, may be sent as one copy addressed to all of those members;

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<sup>1</sup> Refer to section 41H(1)(K) of the Registered Clubs Act

<sup>2</sup> Refer to section 41H(1)(L) of the Registered Clubs Act



- iv) may accompany other material sent by the Club or form part of another document;
- v) in relation to the information required to be sent under section 41H (1) (d) of the Act, must list the amount of each loan separately, but must not disclose the names of the employees to whom the loans were made; and
- vi) must be in a form approved by the Director of Liquor and gaming.

The Director of Liquor and Gaming has determined the following form and detail for the information sent to members pursuant to section 41H(1):

- a) The material is to be printed on white paper in black print in a font size not less than 10 point;
- b) The material is to be on separate pages without any other material;
- c) The information must have a suitable message to the effect that the information:
  - is important information for Club members;
  - is in a form approved by the Director of Liquor and Gaming;
  - must be sent to the members of the Club;
- d) A message advising that the original declarations, disclosures and returns made pursuant to sections 41C, 41D, 41E and 41F are held with the Club secretary and may be inspected by members on written application to the secretary;
- e) The name of the Club, the Club's serial number and the date of the reporting period.

A format for this material is accessible at [www.dgr.nsw.gov.au](http://www.dgr.nsw.gov.au)

## 7. The annual financial report

The financial report is a general purpose report which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act 2001, the Registered Clubs Act 1976 and the Gaming Machine Tax Act 2001.

A model annual financial report is available at [www.clubsnsw.com.au](http://www.clubsnsw.com.au)

The report should include clearly identified trading statements relating to bar, food and gaming operations to allow members to obtain a clear picture of the profitability of core Club business.

It should be audited in accordance with the Australian Auditing Standards to provide reasonable assurance that it is free of material misstatement. Auditing procedures should include examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of accounting policies and significant accounting estimates.

## 8. Concise accounts

If a Club chooses to issue a set of concise accounts to members then a prominent notice should be included advising that a full set of published/printed accounts can be obtained from the Club on request. Any such request should be promptly acted upon.

## 9. "Sundry" or "miscellaneous" expenses

Clubs should not in either full or concise financial accounts excessively group expenses.

A limit should be placed on the value that can be accumulated under the sundry expenses category. The limit should be 5% of the total expenses generated by the business during the year.

## 10. Lodgment of a Club's balance sheet and profit and loss account or income and expenditure account

Section 37 of the Registered Clubs Act requires Clubs within one month of their annual general meeting to lodge with the Liquor Administration Board a copy of the audited balance sheet and of either the profit and



loss account or the income and expenditure account submitted to the annual general meeting.

### **11. Amalgamated Clubs**

Members of individual Clubs within an amalgamated group may be interested in the performance of their particular venue. This is particularly likely when there are large differences in the geographical location of such amalgamated entities.

The consolidated accounts should clearly spell out the operating profit or loss from each venue. At a minimum, an abridged version of trading as well as profit and loss accounts for each venue should be made available to members of individual Clubs.

### **12. Standardisation of industry accounting terms**

Confusion can arise due to the use of different terms in the industry, or attaching different meanings to the same common term. For example, Net Bar Profit for some Clubs may include bar wages while other may exclude them; some may cost cellar or bar management wages as part of a bar wage costing while others may not.

ClubsNSW has identified as a priority the need to arrive at a Glossary of agreed terminology around published financial reports so that industry benchmarks are meaningful. Further guidance will be provided to members when the Glossary is available (or in updates to this Guideline).