

The Mudgee Soldiers Club Limited

ABN: 99 001 044 677

Financial Statements

For the Year Ended 31 December 2018

The Mudgee Soldiers Club Limited

ABN: 99 001 044 677

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For the Year Ended 31 December 2018

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The Mudgee Soldiers Club Limited

ABN: 99 001 044 677

Directors' Report For the Year Ended 31 December 2018

Your directors present their report on The Mudgee Soldiers Club Limited for the financial year ended 31 December 2018.

Directors

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

Names	Position	Dates
Scott Fittler	President	
Wayne Marskell	Vice President	
Michael Shepperd	Junior Vice President	
Wayne Wilkinson	Director	
William Crossingham	Director	Resigned 27/05/2018
David Nelson	Director	
Simon Byrnes	Director	
Paul Sinclair	Director	Appointed 27/05/2018

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

Information on directors

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

Scott Fittler	
Occupation	Community Relations Manager, Yancoal
Experience	Board member May 2017 - 2018 President 2018 - Current Ex-officio member of sub committees (Audit, Club Grants & Marketing)
Wayne Marskell	
Occupation	Retired
Experience	Board Member 2009 - 2018 Vice President 2011 - 2017 & 2018 - Current President May 2017 - 2018 Audit Committee Member
Michael Shepperd	
Occupation	Retired
Experience	Board Member 1995 - 2011 Vice President 1997 - 1999 President 1999 - 2011 Board Member 2013 - 2018 Junior Vice President May 2017 - Current Club Grants Committee Member Marketing Committee Member
Wayne Wilkinson	
Occupation	Retired
Experience	Board Member 2014 - 2018 Vice President May 2017 - 2018 Chairman Audit & Marketing Committee Member

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Directors' Report For the Year Ended 31 December 2018

Information on directors

William Crossingham

Occupation

Businessman

Experience

Board Member 2011 - 2018
President May 2014 - February 2017
President May 2016 - May 2017
Audit Committee Member 2017 - May 2018

David Nelson

Occupation

Retired

Experience

Board member 2003 - 2018
President 2011 - May 2014
Club Grants & Marketing Committee Member

Simon Byrnes

Occupation

Professional Accountant

Experience

Board November 2017 - 2018
Audit Committee Member

Paul Sinclair

Occupation

Mine Superintendent, Glencore / Builder

Experience

Board member May 2018 - Current
Chairman Club Grants Committee

Principal activities

The principal activity of The Mudgee Soldiers Club Limited during the financial year was the operation of a registered club in accordance with its objectives to benefit its members.

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

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Directors' Report For the Year Ended 31 December 2018

Short term objectives

The Club's short term objectives are to:

- Maintain and / or modernise the Club's premises;
- Provide the best possible hospitality service to members and the local community; and
- Ensure ongoing profitability of the Club to secure its financial future.

Long term objectives

The Club's long term objectives are to:

- Always endeavour to satisfy or exceed member's expectations for all services and facilities provided;
- To maintain a dynamic and relevant presence in the community through the provision of hospitality, lifestyle and entertainment services to the community, and
- Invest funds generated by the Club's operations to develop the Club's assets so that the Club is able to continue to provide services to members and the local community that are concurrent with the needs of the members and local community.

Strategy for achieving the objectives

To achieve these objectives, the Club has adopted the following strategies:

- Ensure the Club's policies are appropriate;
- Ensure professional management;
- Ensure proficient and cost effective operation of the Club; and
- Ensure continued trading profitability and invest surplus funds securely with good returns.

Members' guarantee

The Mudgee Soldiers 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 \$ 2 subject to the provisions of the club's constitution.

At 31 December 2018 the collective liability of members was \$ 13,610 (2017: \$ 12,986).

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Directors' Report For the Year Ended 31 December 2018

Meetings of directors

During the financial year, 27 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Special Meetings		Club Grants Meetings		Audit Committee		Marketing Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Wayne Marskell	12	7	6	2	2	1	4	2	1	-
Wayne Wilkinson	12	9	6	5	-	-	4	3	-	-
Michael Shepperd	12	12	6	6	4	4	-	-	1	1
William Crossingham	4	4	2	2	-	-	2	2	-	-
David Nelson	12	12	6	5	4	1	-	-	1	1
Scott Fittler	12	10	6	6	4	3	2	-	1	1
Simon Byrnes	12	12	6	5	-	-	4	4	-	-
Paul Sinclair	8	7	4	3	2	2	-	-	-	-

Core and non core property

In accordance with Section 41J of the Registered Clubs Act the Club's Property Assets are classified as follows:

Core Property : The Clubs core property assets are defined as the Clubs premises and associated car parks at the following addresses:

- 93-99 Mortimer Street Mudgee NSW

Non Core property: The Clubs non core property assets are defined as all other property assets held by the Club, including 91 Mortimer St Mudgee NSW.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 31 December 2018 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: 
Scott Fittler

Director: 
Wayne Marskell

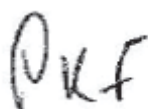
Dated 12 March 2019

Auditor's Independence Declaration under Section 307C
of the Corporations Act 2001 to the Directors of

The Mudgee Soldiers Club Limited

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2018, 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



CLAYTON HICKEY
PARTNER

12 MARCH 2019
NEWCASTLE NSW

The Mudgee Soldiers Club Limited

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Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2018

		2018	2017
	Note	\$	\$
Revenue	2	8,313,599	7,977,764
Gain on sale of fixed assets		43,446	37,131
Movement in inventories		(10,961)	24,032
Cost of sales	3	(1,331,754)	(1,299,630)
Employee benefits expense		(2,758,790)	(2,514,377)
Depreciation and amortisation expense	3	(618,482)	(641,019)
Insurance expense		(160,273)	(122,138)
Professional and consulting expense		(144,258)	(137,460)
Repairs and maintenance expense		(198,063)	(190,313)
Utilities expense		(261,967)	(268,541)
Advertising expense		(66,038)	(69,323)
Functions and entertainment expense		(68,247)	(100,158)
Poker machine taxes		(896,875)	(869,531)
Members promotions expense		(498,433)	(387,152)
Other expenses		(694,137)	(772,402)
Finance costs		(93,127)	(74,950)
Profit before income tax		555,640	591,933
Income tax expense	4	-	-
Profit for the year		555,640	591,933
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		555,640	591,933

The accompanying notes form part of these financial statements.

The Mudgee Soldiers Club Limited

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Statement of Financial Position

As At 31 December 2018

	Note	2018 \$	2017 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	661,128	1,052,126
Trade and other receivables		66,243	83,503
Inventories		74,537	63,576
Other assets		76,182	63,434
TOTAL CURRENT ASSETS		878,090	1,262,639
NON-CURRENT ASSETS			
Property, plant and equipment	7	9,397,068	8,647,658
Investment property	8	502,734	507,959
Intangible assets	9	868,373	868,373
TOTAL NON-CURRENT ASSETS		10,768,175	10,023,990
TOTAL ASSETS		11,646,265	11,286,629
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	688,631	576,619
Borrowings	11	272,495	315,228
Employee benefits	12	323,967	277,404
TOTAL CURRENT LIABILITIES		1,285,093	1,169,251
NON-CURRENT LIABILITIES			
Borrowings	11	591,200	896,509
Employee benefits	12	57,316	63,853
TOTAL NON-CURRENT LIABILITIES		648,516	960,362
TOTAL LIABILITIES		1,933,609	2,129,613
NET ASSETS		9,712,656	9,157,016
EQUITY			
Reserves	13	206,970	206,970
Retained earnings		9,505,686	8,950,046
TOTAL EQUITY		9,712,656	9,157,016

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity For the Year Ended 31 December 2018

	Retained Earnings	Capital Profits Reserve	Total
	\$	\$	\$
Balance at 1 January 2018	8,950,046	206,970	9,157,016
Profit for the year	555,640	-	555,640
Balance at 31 December 2018	9,505,686	206,970	9,712,656
Balance at 1 January 2017	8,358,113	206,970	8,565,083
Profit for the year	591,933	-	591,933
Balance at 31 December 2017	8,950,046	206,970	9,157,016

The accompanying notes form part of these financial statements.

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Statement of Cash Flows For the Year Ended 31 December 2018

	2018	2017
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	9,152,827	8,617,139
Payments to suppliers and employees	(7,794,801)	(7,226,705)
Interest received	8,538	5,999
Interest paid	(93,127)	(154,703)
Net cash provided by operating activities	<u>1,273,437</u>	<u>1,241,730</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of plant and equipment	(1,363,313)	(578,884)
Proceeds from sale of plant and equipment	46,920	37,579
Net cash used in investing activities	<u>(1,316,393)</u>	<u>(541,305)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of borrowings	(348,042)	(365,474)
Net cash provided used in financing activities	<u>(348,042)</u>	<u>(365,474)</u>
Net (decrease)/increase in cash and cash equivalents held	(390,998)	334,951
Cash and cash equivalents at beginning of year	<u>1,052,126</u>	<u>717,175</u>
Cash and cash equivalents at end of financial year	6 <u><u>661,128</u></u>	<u><u>1,052,126</u></u>

The accompanying notes form part of these financial statements.

The Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2018

The financial statements are for The Mudgee Soldiers Club Limited as a not-for-profit individual entity.

1 Summary of Significant Accounting Policies

(a) Basis of preparation

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. 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.

(b) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(c) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis or reducing balance basis over the asset's useful life to the Club commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Land is not depreciated.

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

Class of Fixed Asset	Depreciation rate
Buildings	2.5%
Plant and Equipment	15%
Furniture, Fixtures and Fittings	10%
Motor Vehicles	20%
Computer Equipment	20%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

The Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2018

1 Summary of Significant Accounting Policies

(c) Property, plant and equipment

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

(d) Intangibles

Poker Machine Entitlements

Poker machine entitlements have been determined to be intangible assets with an indefinite life and are carried at purchase price including related costs of acquisition less any impairment.

(e) Investment property

Investment property is held at cost which includes expenditure that is directly attributable to the acquisition of the investment property. The investment properties are depreciated on a straight line basis over 40 years. Land is not depreciated.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value, and bank overdrafts.

Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(g) 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 one year 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.

(h) Borrowings

Secured and unsecured loans have been obtained. Carrying amounts therefore represent amount expected to be repaid at settlement. Unsecured loans are considered to be repayable at call and therefore presented as current liabilities.

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Notes to the Financial Statements For the Year Ended 31 December 2018

1 Summary of Significant Accounting Policies

(i) 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.

(j) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting year. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

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Notes to the Financial Statements For the Year Ended 31 December 2018

1 Summary of Significant Accounting Policies

(j) Income Tax

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting year. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current assets and liabilities are offset where a legally enforceable right of setoff exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Non-member income of the club is only assessable for tax, as member income is excluded under the principle of mutuality.

(k) Revenue and other income

The Club recognises revenue when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria have been met for each of the Club's activities as discussed below.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Sale of goods

Revenue from the 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.

Provision of services

Revenue from the rendering of services is recognised upon provision of the service to the customers.

The Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2018

1 Summary of Significant Accounting Policies

(k) Revenue and other income

Interest revenue

Interest is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Goods and services tax (GST)

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

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

(m) Adoption of new and revised accounting standards

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Club has decided not to early adopt these Standards. The following summarises those future requirements, and their impact on the Club where the standard is relevant:

AASB 15: Revenue from Contracts with Customers; applicable to the annual reporting periods beginning on or after 1 January 2019.

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. The new standard will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The directors anticipate that the adoption of AASB 15 will not have a material impact on the financial statements.

AASB 16: Leases; applicable to the annual reporting periods beginning on or after 1 January 2019.

When effective, this standard will replace the current accounting requirements applicable to leases in AASB 117. AASB 16 introduces a single lessee accounting model that eliminates the requirements for leases to be classified as operating or finance leases.

The main changes introduced by the Standard will for all leases to be recognised on the balance sheet at inception of the lease with the exception of short-term leases (less than 12 months) and leases of low-value assets. The lessee must recognise a right-of-use asset and a corresponding lease liability in the amount of the present value of the lease payments. Subsequent to this initial measurement, the right-of-use asset is depreciated over the lease term, whilst lease payments are separated into a principal and interest portion to wind up the lease liability over the lease term.

The directors anticipate that the adoption of AASB 16 will not have a material impact the financial statements.

The Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2018

1 Summary of Significant Accounting Policies

(n) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments 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.

Key estimate - Impairment

The Club assesses impairment at the end of each reporting year 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.

Impairment testing for 2018 has resulted in no impairment write-downs being recognised in relation to its intangible assets or property, plant and equipment.

Key estimate - Estimation of useful lives

The Club determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and definite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Key estimate - Provision for long service leave

As discussed in Note 1(g), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

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Notes to the Financial Statements For the Year Ended 31 December 2018

2 Revenue and Other Income

	2018	2017
	\$	\$
Bar and takeaway sales	1,448,311	1,337,277
Dining room and coffee lounge sales	1,251,849	1,152,829
Interest received	8,538	5,999
Entertainment income	271,315	255,126
Poker machine revenue	5,036,056	4,911,788
Rental revenue	17,018	16,614
Commissions received	212,927	200,281
Fees and subscriptions	29,036	28,965
Green fees	11,227	10,243
Other revenue	27,322	58,642
	8,313,599	7,977,764

3 Result for the Year

Depreciation expense

- Depreciation - buildings	252,676	250,715
- Depreciation - plant and machinery	360,581	385,079
- Depreciation - leasehold property	5,225	5,225
	618,482	641,019

Cost of goods sold

- Bar and takeaway	589,846	544,928
- Dining room and coffee lounge	425,438	427,349
- Poker machines	63,661	87,053
- Other	252,809	240,300
	1,331,754	1,299,630

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Notes to the Financial Statements For the Year Ended 31 December 2018

4 Income Tax Expense

(a) Reconciliation of income tax to accounting profit:

	2018	2017
	\$	\$
Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2017: 30%)	152,801	177,580
Net income and expenditure items relating to member activity	(168,215)	(183,328)
Tax losses not recognised	15,414	5,748
	<u>-</u>	<u>-</u>

5 Tax

(a) Unrecognised deferred tax assets and liabilities

Deferred tax assets

Tax losses	442,914	432,052
Capital losses	74,256	74,256
Temporary differences	11,065	6,514
	<u>528,235</u>	<u>512,822</u>

Deferred tax assets & liabilities in relation to the carried forward tax losses and timing differences not recognised as amounts are not expected to be realised. This is due to the Club adopting the Accumulated Credits Payout Formula Method to calculate its taxable income from Net Poker Machine Contribution after allowance for overheads.

6 Cash and Cash Equivalents

Cash on hand	300,000	239,900
Cash at bank	361,128	812,226
	<u>661,128</u>	<u>1,052,126</u>

The Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2018

7 Property, plant and equipment

	2018 \$	2017 \$
Land, at cost	<u>529,034</u>	529,034
Buildings and improvements, at cost	10,922,112	10,063,459
Less accumulated depreciation	<u>(3,810,285)</u>	<u>(3,557,608)</u>
	<u>7,111,827</u>	6,505,851
Plant and equipment, at cost	3,914,465	3,703,049
Less accumulated depreciation	<u>(3,082,464)</u>	<u>(2,958,183)</u>
	<u>832,001</u>	744,866
Furniture, fixtures and fittings, at cost	1,012,524	974,418
Less accumulated depreciation	<u>(755,626)</u>	<u>(723,824)</u>
	<u>256,898</u>	250,594
Motor vehicles, at cost	24,070	24,070
Less accumulated depreciation	<u>(23,944)</u>	<u>(23,912)</u>
	<u>126</u>	158
Poker machines, at cost	3,183,661	3,091,342
Less accumulated depreciation	<u>(2,516,479)</u>	<u>(2,474,187)</u>
	<u>667,182</u>	617,155
	<u>9,397,068</u>	<u>8,647,658</u>

(a) Movements in Carrying Amounts

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

	Land \$	Buildings & improvements \$	Plant and Equipment \$	Furniture, Fixtures and Fittings \$	Motor Vehicles \$	Poker machines \$	Total \$
Opening balance	529,034	6,505,851	744,866	250,594	158	617,155	8,647,658
Additions	-	858,469	222,661	38,105	-	244,078	1,363,313
Disposals	-	-	(462)	-	-	(3,012)	(3,474)
Depreciation expense	-	(252,493)	(135,064)	(31,801)	(32)	(191,039)	(610,429)
	<u>529,034</u>	<u>7,111,827</u>	<u>832,001</u>	<u>256,898</u>	<u>126</u>	<u>667,182</u>	<u>9,397,068</u>

The Mudgee Soldiers Club Limited

ABN: 99 001 044 677

Notes to the Financial Statements For the Year Ended 31 December 2018

8 Investment Properties

	2018	2017
	\$	\$
Balance at beginning of year	507,959	513,184
Depreciation	(5,225)	(5,225)
Balance at end of the period	502,734	507,959

9 Intangible Assets

Poker machine licences, at cost	868,373	868,373
---------------------------------	----------------	---------

Under the Gaming Machines Act 2002, a tradable asset titled a gaming machine entitlement was created. Gaming machine entitlements are able to be sold to other clubs within the state of New South Wales provided certain statutory requirements are met.

This Act came into effect on 2 April 2002. The Club records any gaming machine entitlement it purchases as an intangible asset, at cost. The Club has 110 gaming machine entitlements including 37 purchased entitlements.

	Poker machine licences, at cost	Total
	\$	\$
Balance at the beginning of the year	868,373	868,373
Additions	-	-
Disposals	-	-
Closing balance	868,373	868,373

10 Trade and Other Payables

CURRENT		
Trade payables	379,860	194,574
GST payable	1,048	73,645
Sundry payables and accrued expenses	307,723	308,400
	688,631	576,619

The Mudgee Soldiers Club Limited

ABN: 99 001 044 677

Notes to the Financial Statements For the Year Ended 31 December 2018

11 Borrowings

		2018	2017
		\$	\$
Lease liability - secured	(a)	32,495	115,123
Bank loan - secured	(b)	240,000	200,105
		<u>272,495</u>	<u>315,228</u>
NON-CURRENT			
Lease liability - secured	(a)	-	25,474
Bank loan - secured	(b)	591,200	871,035
		<u>591,200</u>	<u>896,509</u>

(a) Hire Purchase Liabilities

Leased liabilities are secured by the underlying leased assets.

(b) Bank loans

Bank loans comprise of the following facilities:

- BetterBusiness Loan with a facility limit of \$550,000 at balance date \$10,000 was drawn down;
- Agribusiness Line of Credit with a facility limit of \$150,000, no draw downs at balance date; and
- Market Rate Loan with a facility limit of \$1,060,000 which expires in December 2020, the liability at balance date is \$820,000.

The Commonwealth Bank of Australia holds the following securities over the Bank Bill facility:

- Registered first mortgage over the commercial property at 91 Mortimer Street;
- Registered first mortgage over the commercial property at 99 Mortimer Street; and
- Registered equity mortgage (Ranked 1) over the assets and undertakings including uncalled capital of The Mudgee Soldiers Club Limited.

12 Provisions

	Short term employee benefits	Long term employee benefits	Total
	\$	\$	\$
Current			
Balance at 1 January 2018	198,637	142,620	341,257
Additional provisions	198,143	9,246	207,389
Provisions used	(167,363)	-	(167,363)
Balance at 31 December 2018	<u>229,417</u>	<u>151,866</u>	<u>381,283</u>

The Mudgee Soldiers Club Limited

ABN: 99 001 044 677

Notes to the Financial Statements For the Year Ended 31 December 2018

12 Provisions

Analysis of total provisions

	2018	2017
	\$	\$
Current	323,967	277,404
Non-current	57,316	63,853
	<u>381,283</u>	<u>341,257</u>

Provision for Employee Benefits

A provision has been recognised for employee benefits relating to annual leave and sick leave (where sick leave is vesting). The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

A provision has been recognised for employee benefits relating to long service leave. The measurement and recognition criteria relating to employee benefits has been included in Note 1(g) to this report.

13 Reserves

(a) Capital profits reserve

The asset revaluation reserve is used to record profits from the sale of pre capital gains tax (CGT) assets.

14 Leasing Commitments

(a) Finance lease commitments

Payable - minimum lease payments:

- not later than 1 year	33,805	127,942
- between 1 year and 5 years	-	33,088
Minimum lease payments	33,805	161,030
Less: finance charges	(1,310)	(20,433)
Present value of minimum lease payments	<u>32,495</u>	<u>140,597</u>

Finance leases relate to the purchase of poker machines. The finance leases have a term of between one and three years.

(b) Operating leases

The Club has no operating leases held as at balance date (2017: None).

The Mudgee Soldiers Club Limited

ABN: 99 001 044 677

Notes to the Financial Statements For the Year Ended 31 December 2018

15 Financial Risk Management

The main risks The Mudgee Soldiers Club Limited is exposed to through its financial instruments are credit risk, liquidity risk and interest rate risk.

The Club's financial instruments consist mainly of deposits with banks, accounts receivable and payable, bank loans and overdrafts.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	2018	2017
	\$	\$
Financial Assets		
Cash and cash equivalents	661,128	1,052,126
Total financial assets	<u>661,128</u>	<u>1,052,126</u>
Financial Liabilities		
Financial liabilities at amortised cost		
Trade and other payables	688,631	576,619
Borrowings	863,695	1,211,737
Total financial liabilities	<u>1,552,326</u>	<u>1,788,356</u>

16 Members' Guarantee

The Club is incorporated under the *Corporations Act 2001* and is a Club limited by guarantee. If the Club is wound up, the constitution states that each member is required to contribute a maximum of \$ 2 each towards meeting any outstandings and obligations of the Club. At 31 December 2018 the number of members was 6,805 (2017: 6,493).

The Mudgee Soldiers Club Limited

ABN: 99 001 044 677

Notes to the Financial Statements For the Year Ended 31 December 2018

17 Interest of Key Management Personnel

The total remuneration paid to key management personnel of the Club is \$ 164,948 (2017: \$ 158,962).

18 Contingencies

As at balance date the club is holding \$35,738 in retention payments with respect to the Club refurbishment (2017: \$35,868).

In the opinion of the Directors, the Club did not have any other contingencies at 31 December 2018.

19 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.

There were no related party transactions during the financial year.

20 Cash Flow Information

Non-cash financing and investing activities

	2018	2017
	\$	\$
Acquisition of assets by means of finance leases	-	71,859

21 Events after the end of the Reporting Period

The financial report was authorised for issue on 5 March 2019 by the Board of Directors.

In January 2019, the Club reviewed its finance facilities with the Commonwealth Bank of Australia. As a result, the Club renewed the BetterBusiness Loan facility for an additional 3 years. This facility which will expire in January 2022. At the date of signing no drawdowns had been made on this facility.

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.

The Mudgee Soldiers Club Limited

ABN: 99 001 044 677

Directors' Declaration

In accordance with a resolution of the Directors of The Mudgee Soldiers Club Limited, I state that:

In the opinion of the Directors:

1. The financial statements and notes, of the Club, are in accordance with the *Corporations Act 2001*, including:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 31 December 2018 and of the performance for the year ended on that date of the Club.
2. In the directors' opinion, there are reasonable grounds to believe that the Club will be able to pay its debts as and when they become due and payable.

On behalf of the Board.

Director:



Scott Fittler

Director:



Wayne Marskell

Dated 12 March 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE MUDGEES SOLDIERS CLUB

Report on the Financial Report

Opinion

We have audited the financial report of The Mudgee Soldiers Club Limited (the Club), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

In our opinion, the accompanying financial report of the The Mudgee Soldiers Club Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Club's financial position as at 31 December 2018 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *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 are independent of the Club 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 (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 Mudgee Soldiers Club Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Club's annual report for the year ended 31 December 2018, 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. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Report

The directors of the Club 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.

Responsibilities of Directors for the Financial Report (cont'd)

In preparing the financial report, the directors are responsible for assessing the Club'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 Club or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

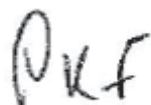
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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.
- 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 Clubs internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Club'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 Club 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, related safeguards.



PKF



CLAYTON HICKEY
PARTNER

13 MARCH 2019
NEWCASTLE NSW